

Date: 21 February 2022
On behalf of: Finsbury Food Group Plc ('Finsbury', 'the Company' or 'the Group')
Embargoed until: 0700hrs+

Finsbury Food Group Plc

Interim Results

Record sales performance and continued operational excellence

Finsbury Food Group Plc (AIM: FIF), a leading UK speciality bakery manufacturer of cake, bread and morning goods for the retail and foodservice channels, is pleased to announce its unaudited interim results for the six months ended 25 December 2021.

Financial highlights

The H1 2021 performance reflects strong revenue growth in Foodservice, Retail and our Overseas business in a comparative period impacted by Covid-19 with varying degrees of disruption and an environment of substantial inflationary pressure. The Group's successful price recovery and mitigating actions will be reflected in the second half's profitability.

- Group revenue up 9% to £166.5m (H1 2020: £152.9m), representing a record half year sales performance.
- Group EBITDA^{*1} £11.9m (H1 2020: £13.1m).
- Profit before tax £5.7m (H1 2020: £7.4m), reflecting the impact of inflationary pressures.
- Basic EPS (pence per share) 3.2p (H1 2020: 4.1p).
- Net bank debt reduced to £12.9m (excluding IFRS 16 debt), representing 0.5 times annualised EBITDA of the Group (H1 2020: £21.5m).
- Reinstatement of dividend at 2.4p for the year ended 26 June 2021, paid in December 2021.
- 0.83p interim dividend proposed to be paid on 21 April 2022.

Strategic highlights

- Robust volumes drove revenue growth, up 9% against the corresponding period in the prior year reflecting:
 - a continuation of the strong recovery in UK foodservice, up 26%,
 - UK retail up 1.5%, and
 - 32% growth in our Overseas division.
- Innovation in Gluten Free recipes and product quality which is driving organic growth in both the UK and in Europe.
- Operating Brilliance Programme continues to drive significant operational efficiency helping, in the short term, to recover inflationary pressure.
- Clear sustainability agenda backed by science based targets driving continued improvement in energy and waste management.
- Continued investment in development, engagement and the health and wellbeing of employees.

The Group uses certain Alternative Performance Measures (APMs) which are non-IFRS measures to monitor performance of its operations and of the Group as a whole. The reconciliation to IFRS measures is shown in the Consolidated Statement of Comprehensive Income.

^{*1} EBITDA is before significant non-recurring, other items (Note 1) and after including the impact of IFRS 16.

Commenting on the results, John Duffy, Chief Executive of Finsbury Food Group Plc, said:

"We are pleased to have been able to deliver a record revenue performance in the first half, a demonstration of Finsbury's resilience and strategic focus. We are now a stronger and more united business than ever before and continue to reap the benefits of our Operating Brilliance Programme which have been one of the key drivers behind the positive performance.

We have not been immune to the challenges arising from sudden and unexpected input cost inflation over the period. However, we have been able to mitigate the impact of these pressures through commercial negotiation and operational improvements and will see the benefit of these actions in our second half profit performance. We have also been affected by staff shortages and supply chain disruption and would have been able to supply extra demand for our products and deliver further revenue growth had it not been for these external factors; a positive sign for the future of our business as these issues begin to ease. In the second half, we will continue to monitor closely and work through ongoing pressures using the same strategies employed to date. While headwinds are set to persist, we have a successful track record of navigating challenging market conditions, and the steps we have taken to optimise the business to date stand us in good stead.

With the recovery in foodservice, steady sales in retail and strong overseas performance set to continue, and with the benefits of the decisive mitigation actions taken in the first half set to largely benefit our bottom line in the second, we expect to deliver a full year result in line with market expectations. We continue to see opportunities for significant sales growth through gaining market share in existing areas, and targeted acquisitions, (both bolt on and transformational). We apply strict acquisition criterion including valuation as well as ensuring a clear strategic fit that will typically either accelerate market consolidation in our core product areas or further diversify the business through new product, category, customer, channels by geography.

The announcement today of our increased holding of our French subsidiary to 85% reflects our continued desire to invest behind our European growth and is underpinned by the Company's proven ability to create value through acquisition. The Board is eager to grow the Group both in the UK and in Europe and will look to meaningful acquisition to achieve its objectives."

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Notes to editors:

- Finsbury Food Group Plc (AIM: FIF) is a leading UK manufacturer of cake and bread bakery goods, supplying a broad range of blue chip customers within both the grocery retail and 'out of home eating' foodservice sectors including major multiples and leading foodservice providers.
- The Company is one of the largest speciality bakery groups in the UK and, with its Overseas division, has sales in the financial year ending 26 June 2021 exceeding £313m.
- The Company's bakery product range is comprehensive and includes:
 - Large premium and celebration cakes.
 - Small snacking cake formats such as cake slices and bites.
 - Artisan, healthy lifestyle and organic breads through to rolls, muffins (sweet and savoury) and morning pastries, all of which are available both fresh and frozen dependent on customer channel requirements.
 - Gluten Free bread, morning goods and cake ranges.
- The Company is one of the largest ambient cake manufacturers in the UK, a market valued at £1bn (source: IRI 52 w/e 1st January 2022). The retail bread and morning goods market has a value of £5.2 billion (source: Kantar Worldpanel 52 w/e 26th December 2021). The retail Free From cake market is valued at £54 million (source: Kantar Worldpanel 52 w/e 26th December 2021). The retail Free From bread & morning goods market is valued at £153 million (source: Kantar Worldpanel 52 w/e 26th December 2021).
- The Company comprises a core UK Bakery division and an Overseas division:
 - The UK Bakery division has manufacturing sites in Cardiff, East Kilbride, Hamilton, Salisbury, Sheffield, Manchester, and Pontypool.

- The Overseas division comprises the Company's 85% owned company, Lightbody Stretz Ltd, which supplies and distributes the Group's UK-manufactured products and third party products, primarily to Europe, and the Company's manufacturing facilities in Rybarzowice and Zywiec in Poland.

STRATEGIC REVIEW

Our Group

We continue to create and supply high-quality bread and cakes through a variety of brands and channels, supplying major retailers and the foodservice channel across the UK, and in Europe, with proprietary, own brand and licensed brand bread and cakes.

Our cake products are sold primarily in UK retail and are a combination of both own label and licensed brands. Our bread products are sold in both the retail and foodservice sectors, are both own label and branded with our Kara foodservice brand representing a significant proportion of our total foodservice business.

Our UK bakery segment supply supermarkets, discounters and convenience stores within the retail sector and, either indirectly through the larger wholesalers or directly, 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, Switzerland and now more recently Spain where in store bakery cake has seen real growth over recent times. The Ultrapharm business has extended us into the additional markets of Poland, Scandinavia and Italy.

Our Strategy & Objectives

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

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.

Over the past few years Finsbury has been focused on driving operational excellence and achieving 'Baking Brilliance', guided by our Operating Principles. In 2019 we rolled out the Finsbury Operating Principles, 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. 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 advanced 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. Combined, these initiatives are designed to benefit the Group over the long term, but we are already seeing tangible benefits.

We have continued to focus on operational efficiency which has, in the short term, helped the Group to recover the inflationary pressures that we were faced with in the first half. Our clear sustainability agenda, backed by science-based targets, is pleasingly driving continued improvement in waste and energy management. Our commitment to our people has not wavered and we have continued to invest in the development, engagement and the health and wellbeing of employees.

Our Markets & Opportunity

Market conditions in the last 24 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. However, the record sales performance in the period is a demonstration of Finsbury's resilience and its ability to adapt, develop and strengthen no matter the circumstances.

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 and whilst 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 both our cake and celebration cake strategy initiatives in order to ensure we are aligned with their post pandemic online strategies.

Momentum behind new 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. Wellness is now a key part of our Cake commercial strategy. BOSH vegan brand sales have almost doubled in the last year with growth across celebration cake, whole cake and FTG slices. This demonstrates the continued importance of a vegan offer to some cake shoppers.

From a brand portfolio perspective, we continued to go from strength to strength. In the period we have grown our branded portfolio by 11.6% YoY, ahead of the wider branded Cake market which has grown at 7.7%. Our brands have grown within each of the 'big four' grocers. As a result of this outperformance our branded market share has grown, and our brands now account for 10.9% of total branded cake category sales.

In line with our strategic objective to create innovative, high-quality bakery products that anticipate key market trends, we have continued to evolve our strong licensed brand portfolio which we work actively to ensure is best in class. Our Gaming products continue to be a big trend within cake – Xbox is now the biggest selling branded Celebration cake product and our Super Mario cake is also performing strongly.

We are continuously monitoring and exploring ways to address the emerging opportunities presented by the changing consumer landscape. Our long-term growth ambitions remain unchanged and our ability to capitalise on the opportunities available to us within our market will be a key driver as we look to continue to build a Group of scale.

POST PERIOD ACQUISITION

As separately announced today, the Company has increased its stake in Lightbody-Stretz Limited, its European distribution subsidiary, from 50% to 85%, and entered into an option agreement to acquire the remaining 15% after two years. Lightbody-Stretz is the holding company of the Group's European distribution business operating primarily in the French and Benelux markets and distributing products produced by the wider Finsbury group. The Company considers that securing a majority stake in this business will enhance its capacity to support the business and deliver growth outside of its primary UK markets.

CURRENT TRADING AND OUTLOOK

On the back of a record first half sales performance, there are positive signs of trading momentum continuing. With the industry-wide pressures experienced in the first half set to persist through the second half and beyond, the Group will remain vigilant, proactively addressing them internally and with its customer base as it has done in recent months. Management has a strong track record of successfully navigating challenging market conditions, and supported by a robust, unified and agile organisational infrastructure, remains confident in its ability to continue to do so.

We continue to prioritise product innovation in speciality product areas such as nut free licenced celebration cakes, premium and vegan cakes as well as artisanal, vegan and gluten free bread and morning goods. We are also investing significantly in increasing our bread and morning goods production capacity in parallel with the ongoing strong bounce back in foodservice as pandemic-related restrictions ease. Our overseas operations saw considerable, profitable growth in the first half, and we expect to see it continue to progress in the second half.

As a result of this sales momentum, combined with the positive effect on second half profitability of the decisive mitigation actions taken in the first, the Board expects to deliver a full year performance in line with market expectations.

The Board believes that there are further compelling opportunities to build on the Group's strengths and use our experience, relationships and operating knowhow to create value for shareholders and enhance the scale of the Group. The Group has an established track record of creating value from acquisitions as demonstrated by its previous M&A transactions. We have significant balance sheet capacity to fund infill acquisitions and furthermore would be prepared to use equity for larger, transformative transactions provided that they meet our strict returns criteria, including being enhancing to earnings per share in the first full year post acquisition.

OPERATING REVIEW

Revenue and Operating Profit

Group revenue increased in H1 2021 by 8.9% year on year to £166.5 million (H1 2020: £152.9m). Profit before interest, tax and significant non-recurring and other items decreased by £1.2 million to £6.5 million, against a backdrop of a rapid and unforeseen onset of inflationary pressures as well as operational and supply chain disruption caused by labour availability shortages and other supply chain disruptions. Gross margin has decreased by 1.5% to 31.6% reflecting the lag between the incidence of inflation and the mitigation thereof, primarily through price recovery.

UK Bakery

	H1 2021 £m	H1 2020 £m	Movement
Revenue	142.3	134.6	+5.7%
Operating profit	4.7	6.4	-27.0%
Operating margin	3.3%	4.8%	

UK Bakery comprises the supply of cake, bread and morning goods in the Grocery and Foodservice channels. Revenue in the period increased by 5.7% to £142.3 million largely driven by a stable performance in UK retail +1.5% and a continuation of the robust recovery in foodservice up 25.9%.

The operating profit of £4.7 million and the reduced Operating Margin reflects the impact of inflation and the lag in recovery thereof. The UK Bakery operation also had to manage labour availability shortages driven by both pandemic related factors and a broader shortage of labour in the UK as well as other supply chain disruption such as packaging availability.

Overseas

	H1 2021 £m	H1 2020 £m	Movement
Revenue	24.2	18.3	+32.3%
Operating profit	1.8	1.3	+40.9%
Operating margin	7.4%	6.9%	

The Overseas business comprises Lightbody Europe in France and Ultraeuropa based in Poland. Lightbody Europe specialises in the import and sale of premium UK manufactured food products and is an important channel into Europe for Group UK manufactured licensed celebration cake and bite style products. Ultraeuropa manufactures and supplies gluten free products to Europe.

The operating margin increased by 0.5% due largely to the growth in revenues.

GROUP FINANCIAL REVIEW

Interest Payable

Interest payable (H1 2020: payable) on the Group's bank debt in H1 2021 and on the related interest rate swaps was £250,000 (H1 2020: £347,000), a decrease of £97,000. The decrease in charges is a consequence of the lower average debt balance over the period.

Taxation

The Group's effective tax rate in H1 2021 was 17.5%, which compares to 19.5% in H1 2020. The effective rates represent a blend of the UK, French and Polish corporation tax rates. A decrease in the effective rate is driven by the availability of capital allowance super deductions, partially offset by a higher French tax rate and a higher proportion of overseas profits. The effect of the capital allowances super deduction is made clear in the cash flow and net debt paragraph below.

Earnings per share

The Group considers both adjusted and adjusted diluted earnings per share to be the most appropriate EPS measure. The adjusted earnings per share were down 18.2% to 3.6p, (H1 2020: 4.4p) and adjusted diluted earnings per share were down 19.0% to 3.4p, (H1 2020: 4.2p), the reduction being driven by lower profits after tax. Further earnings per share information is given in Note 5.

Dividend

A dividend for the year to 26 June 2021 of 2.4p per share was paid on 21 December 2021 to shareholders on the register at the close of business on 26 November 2021.

The Board of Directors is announcing an interim dividend for the year ending 2 July 2022 of 0.8p per share (H1 2020: nil). The interim dividend will be paid on 21 April 2022 to shareholders on the register at the close of business on 25 March 2022. The election deadline for participants in the Company's Dividend Re-investment Plan will be 29 March 2022.

Cash flow and net debt

Net bank debt at 25 December 2021 was £12.9 million which compares to £21.5 million at H1 2020, a decrease of £8.6 million.

	H1 2021 £m	H1 2020 £m	Movement £m
Net debt	12.9	21.5	-8.6
Cash inflow from operating profit before changes in working capital	11.9	13.1	-1.2
Increase in working capital	-2.6	-0.1	-2.5
Capital expenditure	-1.9	-2.4	0.4
Lease payments	-0.9	-1.4	0.5
Interest payments	-0.4	-0.5	0.0
Corporation tax payments	-1.3	-2.0	0.7
Free cashflow	4.7	6.7	-2.0
Dividend paid	-4.1	-0.7	-3.3

Six month cash inflow from operating profit before changes in working capital was £11.9 million. The free cash flow is £4.7 million before deferred consideration payments of £0.5m and dividends of £4.1m. The Company paid a final dividend for the year ending 26 June 2021 in the period of £3.0m, the remaining £1.1m is paid to the 50% minority shareholder in Lightbody Stretz Limited.

Net debt (excluding IFRS 16 leases) of £12.9 million at half year, equating to 0.5 times annualised EBITDA; which results in low gearing alongside a strong balance sheet. The Group has a £55.0 million revolving credit facility and an accordion of £35.0 million available to it. The facility and the potential for it to be increased further provides increased capacity for the Group to explore future growth opportunities and support its long-term investment strategy.

Pensions

The Group has one defined benefit pension scheme within its Memory Lane Cakes business in Cardiff. All remaining Group companies have defined contribution schemes. The Memory Lane Cakes pension scheme has been closed to future accruals and new members since 31 May 2010. The net pension deficit (before related deferred tax) was £14,529,000 at 26 June 2021, the next accounting valuation update will be carried out at 2 July 2022. Cash contributions (including the PPF levy) were £293,000 in the six months to 25 December 2021 (H1 2020: £332,000, a decrease driven by a fall in the risk-based PPF levy).

Principal risks and uncertainties

A number of risks and uncertainties have been identified that could potentially have a material impact on the financial position of the Group. These are set out in the Risk Report Section of the Annual Report for the year to 26 June 2021 and the Board considers these remain applicable.

Forward looking statements

Throughout this report certain statements have been made which are forward looking. These statements have been made based on latest knowledge and expectations of the future. The Board considers the statements to be reasonable. Inevitably there are risks associated with these forward-looking statements which are usually outside the control of the Group. Actual results or performance may therefore differ from the outcome implied by these forward-looking statements.

Consolidated Statement of Comprehensive Income (unaudited)

	Unaudited 26 weeks ended 25 December 2021 £000			Unaudited 26 weeks ended 26 December 2020 £000		
	Adjusted Operating Performance	Significant non- recurring and other accounting items (Note 1)	Consolidated Statement of Comprehensive Income	Adjusted Operating Performance	Significant non- recurring and other accounting items (Note 1)	Consolidated Statement of Comprehensive Income
Revenue	166,525	-	166,525	152,945	-	152,945
Cost of sales	(113,938)	-	(113,938)	(102,345)	-	(102,345)
Gross profit	52,587	-	52,587	50,600	-	50,600
Administrative expenses	(46,130)	(422)	(46,552)	(42,930)	259	(42,671)
Results from operating activities	6,457	(422)	6,035	7,670	259	7,929
Finance expense (Note 4)	(445)	67	(378)	(452)	(71)	(523)
Profit before taxation	6,012	(355)	5,657	7,218	188	7,406
Taxation	(1,057)	67	(990)	(1,410)	(36)	(1,446)
Profit after tax and total comprehensive income	4,955	(288)	4,667	5,808	152	5,960
Profit attributable to:						
Equity holders of the parent	4,148	(151)	3,997	5,244	(58)	5,186
Non-controlling interest	807	(137)	670	564	210	774
Profit and total comprehensive income for the period	4,955	(288)	4,667	5,808	152	5,960
Earnings per share (pence)						
Basic	3.6		3.2	4.4		4.1
Diluted basic	3.4		3.0	4.2		3.9

Consolidated Statement of Financial Position (unaudited)

		Unaudited 25 December 2021 £000	Unaudited 26 December 2020 £000	Audited 26 June 2021 £000
	Note			
Non-current assets				
Intangibles		87,502	87,673	88,019
Property, plant and equipment		57,261	61,178	59,015
Deferred tax assets		5,951	4,577	5,961
		150,714	153,428	152,995
Current assets				
Inventories		19,405	17,061	15,027
Trade and other receivables		52,748	50,477	50,986
Cash and cash equivalents	6	8,697	9,563	9,523
Other financial assets – fair value of foreign exchange contracts		-	-	405
		80,850	77,101	75,941
Total assets		231,564	230,529	228,936
Current liabilities				
Other interest-bearing loans and borrowings	6	(2,452)	(2,665)	(2,039)
Trade and other payables		(65,870)	(61,723)	(62,490)
Provisions		(159)	(451)	(222)
Deferred consideration		(977)	(977)	(976)
Other financial liabilities – interest rate swaps/ fair value of foreign exchange contracts		(39)	(256)	(121)
Current tax liabilities		(513)	(815)	(689)
		(70,010)	(66,887)	(66,537)
Non-current liabilities				
Other interest-bearing loans and borrowings	6	(30,207)	(40,375)	(31,029)
Provisions and other liabilities		(160)	(507)	(160)
Deferred consideration		-	(918)	(466)
Deferred tax liabilities		(2,791)	(2,040)	(2,944)
Pension fund liability		(14,529)	(15,174)	(14,529)
		(47,687)	(59,014)	(49,128)
Total liabilities		(117,697)	(125,901)	(115,665)
Net assets		113,867	104,628	113,271
Equity attributable to equity holders of the parent				
Share capital	7	1,304	1,304	1,304
Share premium account		64,956	64,956	64,956
Capital redemption reserve		578	578	578
Employee share reserve		(5,196)	(4,376)	(5,374)
Retained earnings		49,854	39,904	49,021
Total shareholders' equity		111,496	102,366	110,485
Non-controlling interest		2,371	2,262	2,786
Total equity		113,867	104,628	113,271

Consolidated Statement of Changes in Equity (unaudited)

	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 as at 27 June 2020	1,304	64,956	578	(3,378)	34,918	2,210	100,588
Profit for the 26 weeks ended 26 December 2020	-	-	-	-	5,186	774	5,960
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	5,186	774	5,960
Transactions with owners, recorded directly in equity:							
Own shares issued/(acquired)	-	-	-	(998)	-	-	(998)
Foreign exchange differences	-	-	-	-	(200)	-	(200)
Dividends paid	-	-	-	-	-	(722)	(722)
Balance as at 26 December 2020	1,304	64,956	578	(4,376)	39,904	2,262	104,628
Profit for the 26 weeks ended 26 June 2021	-	-	-	-	7,161	524	7,685
Other comprehensive income/(expense):							
Remeasurement on defined benefit pension	-	-	-	-	396	-	396
Deferred tax movement on pension scheme remeasurement	-	-	-	-	811	-	811
Other comprehensive income	-	-	-	-	1,207	-	1,207
Total comprehensive income for the period	-	-	-	-	8,368	524	8,892
Transactions with owners, recorded directly in equity:							
Shares acquired during the period	-	-	-	(998)	-	-	(998)
Impact of share-based payments	-	-	-	-	1,001	-	1,001
Deferred tax on share options	-	-	-	-	89	-	89
Foreign exchange differences	-	-	-	-	(341)	-	(341)
Dividends paid	-	-	-	-	-	-	-
Balance as at 26 June 2021	1,304	64,956	578	(5,374)	49,021	2,786	113,271
Profit for the 26 weeks ended 25 December 2021	-	-	-	-	3,997	670	4,667
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	3,997	670	4,667
Transactions with owners, recorded directly in equity:							
Own shares issued/(acquired)	-	-	-	178	-	-	178
Foreign exchange differences	-	-	-	-	(179)	-	(179)
Dividends paid	-	-	-	-	(2,985)	(1,085)	(4,070)
Balance as at 25 December 2021	1,304	64,956	578	(5,196)	49,854	2,371	113,867

Consolidated Cash Flow Statement (unaudited)

	Unaudited 26 weeks ended 25 December 2021 £000	Unaudited 26 weeks ended 26 December 2020 £000	Audited 52 weeks ended 26 June 2021 £000
Cash flows from operating activities			
Profit after taxation for the period	4,667	5,960	13,645
Adjustments for:			
Taxation	990	1,446	3,368
Net finance costs	378	523	1,214
Amortisation of intangibles	674	796	1,817
Depreciation	3,786	3,790	7,235
Depreciation right of use assets	998	861	1,752
Impairment of fixed assets	-	-	167
Significant non-recurring expenses	-	-	(1,125)
Movement in fair value foreign exchange contracts	422	(259)	(696)
Contributions by employer to pension scheme	-	-	(473)
Operating profit before changes in working capital	11,915	13,117	26,904
Changes in working capital			
Increase in inventories	(4,451)	(2,463)	(568)
Increase in trade and other receivables	(1,878)	(10,474)	(11,274)
Increase/(decrease) in trade and other payables	3,708	12,832	14,749
Cash generated from operations	9,294	13,012	29,811
Costs associated with closure of operations and acquisitions	(61)	(62)	(364)
Lease payments	(910)	(1,445)	(2,789)
Interest paid	(447)	(459)	(715)
Corporation taxes paid	(1,319)	(2,035)	(3,926)
Net cash generated from operating activities	6,557	9,011	22,017
Cash flows from investing activities			
Purchase of property, plant & equipment	(1,908)	(2,375)	(6,190)
Purchase of subsidiary companies	(500)	-	(500)
Net cash used in investing activities	(2,408)	(2,375)	(6,690)
Cash flows from financing activities			
(Repayment)/drawdown of revolving credit	(1,020)	(5,474)	(13,753)
Purchase of shares by employee trust	-	(998)	(1,996)
Non-controlling interest dividend paid	(1,085)	(722)	(722)
Dividend paid	(2,985)	-	-
Net cash in/(out) from financing activities	(5,090)	(7,194)	(16,471)
Net (decrease)/ increase in cash and cash equivalents	(941)	(558)	(1,144)
Opening cash and cash equivalents	9,523	10,173	10,173
Effect of exchange rate fluctuation	115	(52)	494
Cash and cash equivalents at end of the period	8,697	9,563	9,523

NOTES TO THE FINANCIAL STATEMENTS

BASIS OF PREPARATION

This interim report, which is unaudited, does not constitute statutory accounts within the meaning of section 434(3) of the Companies Act 2006. The comparative figures for the financial year ended 26 June 2021 have been extracted from the statutory accounts for that year. Those accounts, which were prepared in accordance with International Financial Reporting Standards as adopted by the EU (“adopted IFRSs”), have been reported on by the company’s auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

GOING CONCERN AND IMPACT OF COVID-19

The Group has delivered a robust trading performance against a continued challenging backdrop. The Group has faced persistent pressure from input cost inflation, labour availability and other supply chain disruptions including the impact of Omicron on foodservice consumer demand. 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. The Group has a £55m revolving credit facility plus scope for the facility to be increased by up to a further £35m, 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.

1) SIGNIFICANT NON-RECURRING ITEMS AND OTHER ACCOUNTING ITEMS

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.

The amounts shown within significant non-recurring and other accounting items on the face of the Consolidated Statement of Comprehensive Income are shown in the table below:

	Unaudited 26 weeks ended 25 December 2021 £000	Unaudited 26 weeks ended 26 December 2020 £000
Movement in fair value of foreign exchange contracts	(422)	259
Shown under Administrative expenses	(422)	259
Unwinding of discount on deferred consideration	(33)	(57)
Movement in fair value of swaps	100	(14)
Shown under Finance expense	67	(71)

2) 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 food service 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 food service sectors. The Ultraeuropa business manufactures Free From bakery products in Poland and sells into the European markets.

Revenue	UK Bakery		Overseas		Total Group	
	H1 2021 £000	H1 2020 £000	H1 2021 £000	H1 2020 £000	H1 2021 £000	H1 2020 £000
Total	142,274	134,621	24,251	18,324	166,525	152,945

Reportable Segments	26 weeks to 25 December 2021 £000 Total	26 weeks to 26 December 2020 £000 Total
Revenue UK Bakery	142,274	134,621
Revenue Overseas	24,251	18,324
Total revenue	166,525	152,945
Adjusted operating profit UK Bakery	4,673	6,404
Adjusted operating profit Overseas	1,784	1,266
Total adjusted operating profit	6,457	7,670
Significant non-recurring and other items (Note 1)	(422)	259
Finance expense (Note 4)	(378)	(523)
Profit before taxation	5,657	7,406

The Group has two customers (2020: three) which individually account for more than 10 per cent of the Group's total revenue. These customers account for 23 per cent, and 12 per cent. In the prior year one customer accounted for 23 per cent and two at 12 per cent of the revenue in the six months to 26 December 2020. In addition to the Europe sales disclosed in Reportable Segments, the Group also made sales to European markets through UK based organisations.

3) SHARE BASED PAYMENTS

The Group operates both approved and unapproved share option schemes. Following the adoption of IFRS2 'Share-based payments' charges have been made to the Income Statement to reflect the calculated fair value of employee share options. The cost is calculated at the date of grant and is charged equally over the vesting period. The fair value is based on the best available estimate of the number of options expected to vest. The corresponding adjustment is made to reserves.

During the 26 weeks to 25 December 2021 1,636,005 options were granted (H1 2020: 2,192,275 options). Administration costs include a charge of £113,000 (H1 2020: £118,000) in relation to the fair value of the newly awarded share options during that period.

4) FINANCE INCOME AND EXPENSES

	Note	Unaudited 26 weeks ended 25 December 2021 £000	Unaudited 26 weeks ended 26 December 2020 £000	Audited 52 weeks ended 26 June 2021 £000
Change in fair value of interest rate swaps	1	100	-	89
Finance income		100	-	89
Net interest on net pension position		-	-	(224)
Net bank interest payable		(190)	(289)	(545)
Charge on interest rate swaps		(60)	(58)	(119)
Lease Interest IFRS 16		(183)	(105)	(274)
Unwinding of discount on deferred consideration	1	(33)	(57)	(105)
Change in fair value of interest rate swaps	1	-	(14)	-
Interest on deferred consideration		(12)	-	(36)
Finance expense		(478)	(523)	(1303)
Net finance expense		(378)	(523)	(1,214)

The Group has two interest rate swap arrangements, £20.0 million for five years from 3 July 2017 at 0.455% maturing 3 July 2022 and £5.0 million for three years from 28 March 2019 at 1.002% maturing 28 March 2022 to hedge its risks associated with interest rate fluctuations.

These arrangements do not meet the conditions necessary for hedge accounting to be applied and, therefore, changes in their fair value are recognised immediately in the income statement resulting in an income of £100,000 (H1 2020: charge £14,000).

5) EARNINGS PER ORDINARY SHARE (EPS)

Basic earnings per share for the period is calculated on the basis of profit for the period after tax, divided by the weighted average number of shares in issue of 124,252,000 (26 December 2020: 126,605,000).

Basic diluted earnings per share for the period is calculated by adjusting the weighted average number of shares in issue to assume conversion of all potential dilutive ordinary shares, which for 25 December 2021 is 132,183,000 (26 December 2020: 132,393,000).

An adjusted earnings per share has also been calculated as, in the opinion of the Board, this will allow shareholders to gain a clearer understanding of the trading performance of the Group.

The adjusted earnings per share exclude amounts shown under significant and non-recurring items in the Consolidated Statement of Comprehensive Income and exclude amortisation of intangibles.

		26 weeks to 25 Dec 2021		26 weeks to 26 Dec 2020	
Profit					
Profit/(loss) attributable to equity holders of the Company (basic)	£000	3,997		5,186	
Significant non-recurring and other items	£000	151		58	
Amortisation of intangibles	£000	287		287	
Numerator for adjusted earnings per share calculation (adjusted basic)	£000	4,435		5,531	
Shares					
		Basic	Diluted	Basic	Diluted
Weighted average number of ordinary shares in issue during the period	'000	124,252	124,252	126,605	126,605
Dilutive effect of share options	'000	-	7,931	-	5,788
		124,252	132,183	126,605	132,393
Earnings per share					
Basic / basic and diluted	Pence	3.2	3.0	4.1	3.9
Adjusted basic/ adjusted basic and diluted	Pence	3.6	3.4	4.4	4.2

6) ANALYSIS OF NET DEBT

	Unaudited 26 weeks ended 25 December 2021 £000	Unaudited 26 weeks ended 26 December 2020 £000	Audited 52 weeks ended 26 June 2021 £000
Net cash at bank	8,697	9,563	9,523
Loans after more than one year	(21,411)	(30,711)	(22,431)
Hire purchase obligations due within one year	(103)	(170)	(128)
Hire purchase obligations due after one year	(73)	(158)	(92)
Bank debt	(21,587)	(31,039)	(22,651)
Unamortised transaction costs	73	141	108
Bank debt net of unamortised transaction costs within one year	(103)	(170)	(128)
Bank debt net of unamortised transaction costs more than one year	(21,411)	(30,728)	(22,415)
Bank debt net of unamortised transaction costs excluding IFRS 16 lease liabilities	(21,514)	(30,898)	(22,543)
Bank debt (before IFRS 16 debt) net of cash at bank	(12,890)	(21,476)	(13,128)
Lease liabilities IFRS 16 within one year	(2,349)	(2,495)	(1,911)
Lease liabilities IFRS 16 after more than one year	(8,796)	(9,647)	(8,614)
Lease liabilities IFRS 16	(11,145)	(12,142)	(10,525)
Total Debt including IFRS 16 lease liabilities	(23,962)	(33,477)	(23,545)

7) SHARE CAPITAL

No shares were issued during the period or the comparative prior year period.

At 25 December 2021 5,988,987 shares (H1 2020: 5,046,554) were held by the Finsbury Food Group Plc Employee Benefit Trust.

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