

Date: 22 February 2021
On behalf of: Finsbury Food Group Plc ('Finsbury', 'the Company' or 'the Group')
Embargoed until: 0700hrs+

Finsbury Food Group Plc

Interim Results

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 26 December 2020.

Summary

The half year figures reflect a period impacted by Covid-19 and compare with a 6-month period of strong growth which pre-dates the pandemic.

- Group revenue down 4.1% to £152.9m.
- Group EBITDA*¹ down 9.8% to £13.1m.
- Profit before tax down 16.1% to £7.4m.
- Basic EPS (pence per share) 4.1p (H1 2019: 4.9p).
- Net bank debt of £21.5m (excluding IFRS 16 debt), decreased by £11.1m (H1 2019: £32.6m) at 0.9 times annualised EBITDA of the Group (H1 2019: 1.3 times).

Strategic highlights

- Resilient trading performance against a continued challenging Covid-19 backdrop and against a period of strong growth in the prior year.
- Strong progressive improvement since the initial lockdown with retail up +1.7% and foodservice down -27.4% for the six months to 26 December 2020 against -8.8% and -61.0% down respectively for the quarter following the initial lockdown.
- Recovery of foodservice adversely impacted by tightening of government restrictions towards the end of the half
- Gross margin increased to 33.1% driven by improvement in factory operational efficiency accompanied by significant reduction in waste, in line with our Operating Brilliance Programme.
- Continued strong cash generation reflecting prudent capital investment and rigorous financial management.
- A new frozen dough ball facility commissioned in Manchester.
- Further innovation in line with consumer trends with
 - o Award-winning Free From and vegan cakes; and
 - o 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 health and well-being of employees.
- The avoidance of a no deal Brexit and the associated trade tariffs removes a significant strategic risk for the Group, whilst recognising that there are some additional border supply chain consequences to address.

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 which was first adopted in the prior year.*

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

"The first half was a period in which Finsbury again demonstrated its resilience and ability to manage and adapt to the effects of the pandemic. Through careful management of resources, anticipating and responding quickly and effectively to changes in consumer demand, and maximising the benefits of operational initiatives both new and historical, we were able to deliver a robust performance.

Retail performed very well and was up versus a strong corresponding six-month period in 2019, and while the trajectory of an overall recovery continues to be tempered by the adverse impact of tighter government restrictions on foodservice, we are confident the division will bounce back when trading conditions normalise, particularly when the public sector reopens.

As we move into the second half, we maintain our focus on delivering organic growth, capitalising on the emerging trends in areas such as artisan and Free From and continuing to leverage our leading position in more established areas such as cake bites and buns & rolls.

The current operating environment continues to be characterised by near-term uncertainty and a challenging economic backdrop that is likely to remain for some time, but a combination of progress in the roll-out of the vaccine and the avoidance of a 'no deal' Brexit provides comfort around the Group's medium-term prospects. Longer-term, our growth ambitions remain unchanged, and with the progress that is being made behind the scenes to make Finsbury a more efficient and joined-up business, focused on driving synergies and scale benefits across the Group and its supply chain, we are confident we are building the right platform to achieve them.

I would like to again thank our teams around the UK, whose dedication and hard work since the onset of the pandemic has been exemplary."

Contact:

Finsbury Food Group www.finsburyfoods.co.uk 029 20 357 500
John Duffy (Chief Executive)
Steve Boyd (Finance Director)

Panmure Gordon (UK) Limited 020 7886 2500
Oliver Cardigan (Corporate Finance)
Atholl Tweedie
Joanna Langley
Erik Anderson (Corporate Broking)

Alma PR finsbury@almapr.co.uk 020 3405 0205
Sam Modlin
David Ison
Molly Gretton

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 27 June 2020 exceeding £306m.
- 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 over £963 million (source: IRI 52 w/e 2nd January 2021). The retail bread and morning goods market has a value of £5 billion (source: Kantar Worldpanel 52 w/e 27th December 2020). The retail Free From cake market is valued at £52 million (source: Kantar Worldpanel 52 w/e 27th December 2020). The retail Free From bread & morning goods market is valued at £146 million (source: Kantar Worldpanel 52 w/e 27th December 2020). The UK Out of Home Foodservice Bakery sector is worth approximately £740 million per annum (source: UK foodservice data derived from MCA data for 52 weeks to 31st March 2020). 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 50% 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.

OPERATING REVIEW

Revenue and Operating Profit

Group revenue decreased in H1 2020 by 4.1% year on year to £152.9 million. Profit before interest, tax and significant non-recurring and other items decreased by £1.2 million to £7.7 million, against a continued challenging backdrop and against a strong comparative period of growth in 2019. Gross margin has improved by 1.9% to 33.1% with significant improvement in operational performance.

UK Bakery

	H1 2020 £m	H1 2019 £m	Movement
Revenue	134.6	141.2	-4.7%
Operating profit	6.4	7.7	-16.6%
Operating margin	4.8%	5.4%	

UK Bakery comprises the supply of cake, bread and morning goods in the Grocery and Foodservice channels. Revenue in the period decreased by 4.7% to £134.6 million largely driven by the weaker trading in UK foodservice, which continues to be impacted by Government restrictions. Partially offsetting the reduction in the foodservice channel is a strong retail channel performance. The operating profit of £6.4 million decreased by 16.6% year on year.

The UK Bakery operating profit margin decreased from 5.4% to 4.8%. The reduction in the operating profit margin can be attributed to the relatively fixed nature of overhead partially offset by improved gross margin leaving UK Bakery in a healthy position once restrictions are released.

Overseas

	H1 2020 £m	H1 2019 £m	Movement
Revenue	18.3	18.2	+0.6%
Operating profit	1.3	1.2	+4.5%
Operating margin	6.9%	6.6%	

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 0.3% due largely to the operational improvements in Poland and favourable foreign exchange movements.

GROUP FINANCIAL REVIEW

Interest Payable

Interest payable (H1 2019: payable and credits) on the Group's bank debt in H1 2020 and on the related interest rate swaps was £347,000 (H1 2019: £491,000), a decrease of £144,000. 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 2020 was 19.5%, which compares to 20.0% in H1 2019. The effective rates represent a blend of the UK, French and Polish corporation tax rates.

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 12.0% to 4.4p, (H1 2019: 5.0p) and adjusted diluted earnings per share were down 12.5% to 4.2p, (H1 2019: 4.8p), the reduction being driven by lower profits after tax. Further earnings per share information is given in Note 5.

Dividend

The payment of a dividend was suspended during the year to 27 June 2020 to ensure that the business remained on a sound footing to deliver on its longer-term, growth ambitions, which included a number of cash and costs-conserving actions.

The Board of Directors will be reviewing the dividend for the year ending 26 June 2021 over the coming months.

Cash flow and net debt

Net bank debt at 26 December 2020 was £21.5 million which compares to £32.6 million at H1 2019 a decrease of £11.1 million. Six month cash inflow from operating profit before changes in working capital was £13.1 million. Against this cash inflow is an increase in working capital of £0.1 million, capital expenditure of £2.4 million, IFRS 16 right of use lease payments of £1.3 million and Interest and tax payments of £0.5 million and £2.0 million respectively resulting in a six month free cash flow of £6.6 million. There was no dividend payment in the period.

Net debt (excluding IFRS 16 leases) of £21.5 million at half year, equating to 0.9 times annualised EBITDA; which results in comfortable 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 £15,174,000 at 27 June 2020, the next accounting valuation update will be carried out at 26 June 2021. Cash contributions (including the PPF levy) were £332,000 in the six months to 26 December 2020 (H1 2019: £186,000, an increase due to the implementation of a new contributions schedule from 1 July 2020).

OUTLOOK

The macroeconomic environment looks set to remain uncertain for the year ahead driven by the Government's fast-changing responses to Covid-19 and a likely recessionary environment thereafter. The strategic investments made historically across the Group to improve channel and product diversification as well as more recent steps to minimise cash outflows, maximise productivity and improve operational efficiency, ensure Finsbury enters the second half in a position of relative strength.

The Group's focus in the second half will be broadly consistent with the first. We will continue to drive organic growth, leveraging our leading blend of higher-growth emerging consumer niches such as artisan and Free From, while continuing to take advantage of our scale in more mature product areas such as cake bites and buns & rolls and in both retail and the foodservice channels. The foodservice channel inclusive of the education sector has been negatively impacted by the new national lockdown, however, should bounce back strongly as restrictions are eased in line with vaccination programme achievements. We will continue to consider options to grow by acquisition where there is a clear strategic fit.

We will also continue to work to unlock the benefits of prior years of investment, while implementing new ways to drive further productivity and efficiency gains.

While remaining cognisant of industry-wide headwinds, we believe Finsbury is on a strong footing and are confident it is well positioned for long-term, sustainable growth.

The Board anticipates another resilient performance in the second half

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 27 June 2020 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 26 December 2020 £000			Unaudited 26 weeks ended 28 December 2019 £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	152,945	-	152,945	159,448	-	159,448
Cost of sales	(102,345)	-	(102,345)	(109,712)	-	(109,712)
Gross profit	50,600	-	50,600	49,736	-	49,736
Administrative expenses	(42,930)	259	(42,671)	(40,848)	696	(40,152)
Results from operating activities	7,670	259	7,929	8,888	696	9,584
Finance expense (Note 4)	(452)	(71)	(523)	(649)	(108)	(757)
Profit before taxation	7,218	188	7,406	8,239	588	8,827
Taxation	(1,410)	(36)	(1,446)	(1,664)	(100)	(1,764)
Profit after tax and total comprehensive income	5,808	152	5,960	6,575	488	7,063
Profit attributable to:						
Equity holders of the parent	5,244	(58)	5,186	6,074	188	6,262
Non-controlling interest	564	210	774	501	300	801
Profit and total comprehensive income for the period	5,808	152	5,960	6,575	488	7,063
Earnings per share (pence)						
Basic	4.4		4.1	5.0		4.9
Diluted basic	4.2		3.9	4.8		4.7

Consolidated Statement of Financial Position (unaudited)

		Unaudited 26 December 2020 £000	Unaudited 28 December 2019 £000	Audited 27 June 2020 £000
	Note			
Non-current assets				
Intangibles		87,673	97,004	88,626
Property, plant and equipment		61,178	63,772	61,736
Other financial assets		-	28	-
Deferred tax assets		4,577	3,495	4,623
		153,428	164,299	154,985
Current assets				
Inventories		17,061	17,524	14,618
Trade and other receivables		50,477	55,008	40,003
Cash and cash equivalents	6	9,563	12,093	10,173
Other financial assets – fair value of foreign exchange contracts		-	859	-
		77,101	85,484	64,794
Total assets		230,529	249,783	219,779
Current liabilities				
Other interest-bearing loans and borrowings	6	(2,665)	(303)	(3,191)
Trade and other payables		(61,723)	(62,521)	(48,861)
Provisions		(451)	(359)	(471)
Deferred consideration		(977)	(970)	(481)
Other financial liabilities – interest rate swaps/ fair value of foreign exchange contracts		(256)	-	(501)
Current tax liabilities		(815)	(1,381)	(1,375)
		(66,887)	(65,534)	(54,880)
Non-current liabilities				
Other interest-bearing loans and borrowings	6	(40,375)	(56,160)	(45,113)
Provisions and other liabilities		(507)	(714)	(550)
Deferred consideration		(918)	(912)	(1,357)
Deferred tax liabilities		(2,040)	(1,846)	(2,117)
Pension fund liability		(15,174)	(11,312)	(15,174)
		(59,014)	(70,944)	(64,311)
Total liabilities		(125,901)	(136,478)	(119,191)
Net assets		104,628	113,305	100,588
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		(4,376)	(3,616)	(3,378)
Retained earnings		39,904	47,094	34,918
Total shareholders' equity		102,366	110,316	98,378
Non-controlling interest		2,262	2,989	2,210
Total equity		104,628	113,305	100,588

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 29 June 2019	1,304	64,956	578	(3,616)	44,207	2,188	109,617
Profit for the 26 weeks ended 28 December 2019	-	-	-	-	6,262	801	7,063
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	6,262	801	7,063
Transactions with owners, recorded directly in equity:							
Own shares issued/(acquired)	-	-	-	-	-	-	-
Foreign exchange differences	-	-	-	-	(400)	-	(400)
Dividends paid	-	-	-	-	(2,975)	-	(2,975)
Balance as at 28 December 2019	1,304	64,956	578	(3,616)	47,094	2,989	113,305
(Loss)/Profit for the 26 weeks ended 27 June 2020	-	-	-	-	(7,021)	65	(6,956)
Other comprehensive income/(expense):							
Remeasurement on defined benefit pension	-	-	-	-	(3,806)	-	(3,806)
Deferred tax movement on pension scheme remeasurement	-	-	-	-	723	-	723
Other comprehensive income	-	-	-	-	(3,083)	-	(3,083)
Total comprehensive income for the period	-	-	-	-	(10,104)	65	(10,039)
Transactions with owners, recorded directly in equity:							
Shares purchased through the EBT	-	-	-	1,207	(1,207)	-	-
Shares issued from the EBT	-	-	-	(969)	-	-	(969)
Impact of share-based payments	-	-	-	-	(1,066)	-	(1,066)
Deferred tax on share options	-	-	-	-	(182)	-	(182)
Foreign exchange differences	-	-	-	-	383	-	383
Dividends paid	-	-	-	-	-	(844)	(844)
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)	-	(199)
Dividends paid	-	-	-	-	-	(722)	(722)
Balance as at 26 December 2020	1,304	64,956	578	(4,376)	39,904	2,262	104,628

Consolidated Cash Flow Statement (unaudited)

	Unaudited 26 weeks ended 26 December 2020 £000	Unaudited 26 weeks Ended 28 December 2019 £000	Audited 52 weeks ended 27 June 2020 £000
Cash flows from operating activities			
Profit after taxation for the period	5,960	7,063	107
Adjustments for:			
Taxation	1,446	1,764	2,761
Net finance costs	523	757	1,867
Amortisation of intangibles	796	354	1,734
Depreciation	3,790	4,384	7,656
Depreciation right of use assets	861	914	1,919
Impairment of goodwill	-	-	7,500
Impairment of fixed assets	-	-	1,237
Significant non-recurring expenses	-	257	1,594
Movement in fair value foreign exchange contracts	(259)	(953)	73
Contributions by employer to pension scheme	-	-	(200)
Operating profit before changes in working capital	13,117	14,540	26,248
Changes in working capital			
Increase in inventories	(2,463)	(2,840)	210
Increase in trade and other receivables	(10,474)	(5,617)	9,949
Increase/(decrease) in trade and other payables	12,832	7,299	(9,192)
Cash generated from operations	13,012	13,382	27,215
Costs associated with closure of operations and acquisitions	(62)	(1,257)	(1,887)
Lease payments	(1,445)	(2,532)	(3,362)
Interest paid	(459)	(468)	(1,088)
Corporation taxes paid	(2,035)	(482)	(1,822)
Net cash generated from operating activities	9,011	8,643	19,056
Cash flows from investing activities			
Purchase of property, plant & equipment	(2,375)	(1,954)	(4,703)
Purchase of subsidiary companies	-	(1,000)	(1,000)
Net cash used in investing activities	(2,375)	(2,954)	(5,703)
Cash flows from financing activities			
(Repayment)/drawdown of revolving credit	(5,474)	(3,036)	(10,960)
Purchase of shares by employee trust	(998)	-	(969)
Non-controlling interest dividend paid	(722)	-	(844)
Dividend paid	-	(2,975)	(2,975)
Net cash in/(out) from financing activities	(7,194)	(6,011)	(15,748)
Net (decrease)/ increase in cash and cash equivalents	(558)	(322)	(2,395)
Opening cash and cash equivalents	10,173	12,358	12,358
Effect of exchange rate fluctuation	(52)	57	210
Cash and cash equivalents at end of the period	9,563	12,093	10,173

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 27 June 2020 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 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. 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 26 December 2020 £000	Unaudited 26 weeks ended 28 December 2019 £000
Commissioning costs	-	(257)
Movement in fair value of foreign exchange contracts	259	953
Shown under Administrative expenses	259	696
Unwinding of discount on deferred consideration	(57)	(57)
Movement in fair value of swaps	(14)	(51)
Shown under Finance expense	(71)	(108)

Commissioning costs in the prior year relate to the exceptional waste and labour costs of bringing the new bakery on line in Poland.

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 2019 £000					
Total	134,621	141,234	18,324	18,215	152,945	159,449

Reportable Segments	26 weeks to 26 December 2020 £000 Total	26 weeks to 28 December 2019 £000 Total
Revenue UK Bakery	134,621	141,234
Revenue Overseas	18,324	18,215
Total revenue	152,945	159,449
Adjusted operating profit UK Bakery	6,404	7,677
Adjusted operating profit Overseas	1,266	1,211
Total adjusted operating profit	7,670	8,888
Significant non-recurring and other items (Note 1)	259	696
Finance expense (Note 4)	(523)	(757)
Profit before taxation	7,406	8,827

The Group has three customers (2019: two) which individually account for more than 10 per cent of the Group's total revenue. These customers account for 23 per cent, and two at 12 per cent. In the prior year two of the customers accounted for 19 per cent and 12 per cent respectively of the revenue in the six months to 28 December 2019. 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 26 December 2020 2,192,275 options were granted (H1 2019: 4,863,708 options). Administration costs include a charge of £118,000 (H1 2019: £136,000) 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 26 December 2020 £000	Unaudited 26 weeks ended 28 December 2019 £000	Audited 52 weeks ended 27 June 2020 £000
Interest on interest rate swap agreements		-	25	44
Bank interest receivable		-	10	17
Finance income		-	35	61
Net interest on net pension position		-	-	(256)
Net bank interest payable		(289)	(526)	(999)
Charge on interest rate swaps		(58)	-	-
Lease Interest IFRS 16		(105)	(158)	(273)
Unwinding of discount on deferred consideration	1	(57)	(57)	(14)
Change in fair value of interest rate swaps	1	(14)	(51)	(386)
Finance expense		(523)	(792)	(1,794)
Net finance expense		(523)	(757)	(1,928)

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 a charge of £14,000 (H1 2019: charge £51,000).

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 126,605,000 (28 December 2019: 127,121,000).

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 26 December 2020 is 132,393,000 (28 December 2019: 132,382,000).

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 26 Dec 2020		26 weeks to 28 Dec 2019	
Profit					
Profit/(loss) attributable to equity holders of the Company (basic)	£000	5,186		6,262	
Significant non-recurring and other items	£000	58		(188)	
Amortisation of intangibles	£000	287		294	
Numerator for adjusted earnings per share calculation (adjusted basic)	£000	5,531		6,368	
Shares		Basic	Diluted	Basic	Diluted
Weighted average number of ordinary shares in issue during the period	'000	126,605	126,605	127,121	127,121
Dilutive effect of share options	'000	-	5,788	-	5,261
		126,605	132,393	127,121	132,382
Earnings per share					
Basic / basic and diluted	Pence	4.1	3.9	4.9	4.7
Adjusted basic/ adjusted basic and diluted	Pence	4.4	4.2	5.0	4.8

6) ANALYSIS OF NET DEBT

	Unaudited 26 weeks ended 26 December 2020 £000	Unaudited 26 weeks ended 28 December 2019 £000	Audited 52 weeks ended 27 June 2020 £000
Net cash at bank	9,563	12,093	10,173
Loans after more than one year	(30,711)	(44,108)	(36,184)
Hire purchase obligations due within one year	(170)	(163)	(247)
Hire purchase obligations due after one year	(158)	(416)	(225)
Bank debt	(31,039)	(44,687)	(36,656)
Unamortised transaction costs	141	219	175
Bank debt net of unamortised transaction costs within one year	(170)	(163)	(247)
Bank debt net of unamortised transaction costs more than one year	(30,728)	(44,305)	(36,234)
Bank debt net of unamortised transaction costs excluding IFRS 16 lease liabilities	(30,898)	(44,468)	(36,481)
Bank debt (before IFRS 16 debt) net of cash at bank	(21,476)	(32,594)	(26,483)
Lease liabilities IFRS 16 within one year	(2,495)	(140)	(2,944)
Lease liabilities IFRS 16 after more than one year	(9,647)	(11,855)	(8,879)
Lease liabilities IFRS 16	(12,142)	(11,995)	(11,823)
Total Debt including IFRS 16 lease liabilities	(33,477)	(44,370)	(38,131)

7) SHARE CAPITAL

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

At 26 December 2020 5,046,554 shares (H1 2019: 3,261,925) were held by the Finsbury Food Group Plc Employee Benefit Trust.

Advisers

Secretary

ONE Advisory Limited
201 Temple Chambers
3-7 Temple Avenue
London
EC4Y 0DT
Tel: 0207 583 8304

Registered Office

Maes-y-coed Road
Cardiff
CF14 4XR
Tel: 029 2035 7500

Nominated Adviser & Broker

Panmure Gordon (UK) Limited
1 New Change,
London
EC4M 9AF

Remuneration Committee Advisor

Deloitte LLP
Four Brindleyplace,
Birmingham,
B1 2HZ

Registered Number

00204368

Auditor

PricewaterhouseCoopers LLP
1 Kingsway
Cardiff
CF10 3PW

Registrars

Capita Registrars
34 Beckenham Road
Beckenham

Kent

BR3 4TU

Solicitors

CMS Cameron McKenna LLP
Cannon Place
78 Cannon Street
London
EC4N 6AF