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 (RandD) 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

Energy consumption used to calculate emissions (kWh)	52 weeks ending 26 June 2021 kWh	52 weeks ending 27 June 2020 kWh
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
	Tonnes CO_2e	Tonnes CO_2e
Scope 1 emissions in metric tonnes CO_2e		
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 CO_2e		
Purchase of electricity	**7,463.49**	9,025.88
Scope 3 emissions in metric tonnes CO_2e		
Private vehicles on Company business	**30.89**	85.28
Total gross emissions in metric tonnes CO_2e	**20,820.82**	21,799.27
Intensity ratio tonnes CO_2e per tonne produced	**0.19**	0.18
Electricity purchased through supplier REGO cert.	**2,160.00**	-
Total net emissions in metric tonnes CO_2e	**18,660.82**	21,799.27
Intensity ratio tonnes CO_2e 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 £13.1 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