

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