

## 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.

 For more information  
See pg 20-21

## 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 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 Ultrapharm business in Poland gives a growing presence in Europe.

 For more information  
**See pg 34-35**

## 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**

## 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.