

Achieving Brilliance

Excellence
Growth
Responsibility

We continue to create and supply high-quality bread and cakes through a variety of brands and channels.

We supply major retailers and the foodservice channel across the UK, and in Europe, with proprietary, own brand and licensed brand bread and cakes.

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Our Purpose, Strategy and Operating Principles provide a vision and framework for strategic governance, creating value, sharing best practice and working effectively as a Group.



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Engaging with Our Stakeholders

This section serves as our section 172 statement and should be read in conjunction with the Strategic Report and the Company’s Corporate Governance Report.

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Sustaining Excellence

Our Operating Brilliance Programme represents “The Golden Thread” which runs through the business, at the heart of this is our drive to continually make tomorrow better than today.

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Delivering Growth

Putting growth at the heart of our business has enabled the Group to deliver record levels of revenue growth.

Strategic Report Highlights

Summary

The full year figures reflect an evolving trading environment with the ongoing post-pandemic recovery being followed by inflationary pressures impacting our operations and total supply chain. The improvement in all figures is a reflection of the robustness of our business model.

- Group revenue up 13.9% to £357.0 million.
- Gross margins 32.4% (2021: 32.9%).
- Group EBITDA*¹ up 6.9% to £28.7 million.
- Profit before tax*¹ up 12.1% to £17.0 million.
- Adjusted Diluted EPS*² (pence per share) up 17% to 10.1p.
- Net bank debt (excluding IFRS 16 debt), £20.6 million (2021: £13.1 million), representing 0.7 x FY EBITDA.

Strategic Highlights

- Revenue growth, as a result of:
 - Strong post Covid-19 recovery in UK foodservice, up 38%;
 - UK retail up 7.1%; and
 - Overseas division growth of 27%.
- Taking our ownership to 85% in Lightbody-Stretz Limited deepening our presence in France, Benelux, Scandinavia and Switzerland.
- 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 which is helping to manage inflationary pressure in the short-term.
- Clear sustainability agenda driving continued improvement in energy and waste management.
- Continued investment in development, engagement and the health and wellbeing of employees.

In order to set out the business performance, adjusted measures for the Group are presented which exclude the impact of significant non-recurring items and other items to present adjusted EBITDA, operating profit and profit before tax. In the opinion of the Board the adjusted measures allow shareholders to gain a clearer understanding of the trading performance of the Group. The analysis below shows the movement from adjusted to statutory measures.

Adjusted EBITDA

	2022 £000	2021 £000
Adjusted EBITDA	28,747	26,904
Significant non-recurring items – (see Note 4)	(1,898)	958
Difference between Defined Benefit Pension Scheme charges and cash cost	417	473
Movement in the fair value of foreign exchange contracts	(821)	696
Adjustments, significant non-recurring and other items	(2,302)	2,127
EBITDA	26,445	29,031

Adjusted Operating Profit

	2022 £000	2021 £000
Adjusted operating profit	17,807	16,100
Significant non-recurring items – (see Note 4)	(1,898)	958
Difference between Defined Benefit Pension Scheme charges and cash cost	417	473
Movement in the fair value of foreign exchange contracts	(821)	696
Adjustments, significant non-recurring and other items	(2,302)	2,127
Operating profit	15,505	18,227

Adjusted Profit Before Tax

	2022 £000	2021 £000
Adjusted profit before tax	16,956	15,126
Significant non-recurring items – (see Note 4)	(1,898)	958
Difference between Defined Benefit Pension Scheme charges and cash cost	132	249
Movement in the fair value of foreign exchange contracts	(821)	696
Discounting of deferred consideration	(54)	(105)
Movement in the fair value of interest rate swaps	(18)	89
Adjustments, significant non-recurring and other items	(2,659)	1,887
Profit before tax	14,297	17,013

*1 The Group uses Alternative Performance Measures (APMs) which are non-IFRS measures to monitor performance of its operations and of the Group as a whole. These APMs along with their definitions are provided in the Adjusted Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA), Operating Profit and Profit Before Tax tables on this page and the tables in the Financial Review Section. APMs are disclosed as, in the opinion of the Board, this will allow shareholders to gain a clearer understanding of the trading performance of the Group.

*2 Adjusted EPS has been calculated using profit, excluding amortisation of intangibles, significant non-recurring and other items as shown in the tables in the Financial Review Section net of associated taxation. In the opinion of the Board, the adjustments made will allow shareholders to gain a clearer understanding of the trading performance of the Group.

Group Performance
Measures

Group Revenue

£356.8m

up 13.9%

Adjusted EBITDA*¹**£28.7m**

up 6.9%

Adjusted Operating Profit*¹**£17.8m**

up 10.6%

Adjusted Profit*¹ Before Tax**£17.0m**

up 12.1%

Adjusted Diluted EPS

10.1p

up 17.4%

Capital Investment

£12.5m

up 103%

Net Debt (excl. leases)

£20.6m

up 57.3%

Statutory Measures

*²

EBITDA

£26.4m

Operating Profit

£15.5m

Profit Before Tax

£14.3m

Diluted EPS

7.9p*²

Net Debt (incl. leases)

£29.6m

*¹ The Group uses Alternative Performance Measures (APMs) which are non-IFRS measures to monitor performance of its operations and of the Group as a whole. These APMs along with their definitions are provided in the Adjusted EBITDA, Operating Profit and Profit Before Tax tables on the previous page and the tables in the Financial Review Section. APMs are disclosed as, in the opinion of the Board, this will allow shareholders to gain a clearer understanding of the trading performance of the Group.

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*² Measures that do not vary are shown in the first column only.

Our Business

Our business is split into UK bakery and overseas. The UK bakery manufactures and sells bakery products to the UK's multiple grocers and foodservice sectors. More information on manufacturing, products and customers is shown below.

Manufacturing and Sites

Finsbury Food Group includes eight manufacturing facilities and bakery companies and one distribution company.

Fletchers Bakeries

 Sheffield

Johnstone's Food Service

 East Kilbride

Kara Foodservice

 Manchester


Lightbody of Hamilton

 Hamilton

Memory Lane Cakes

 Cardiff


Nicholas and Harris

 Salisbury

Ultrapharm UK


 Pontypool

Ultrapharm Poland

 Rybarzowice and Żywiec,
Poland

Lightbody Europe

(distribution company)

 Rennes, France

Our Customers

Our UK bakery segment supplies supermarkets, discounters and convenience stores within the retail sector and 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, and Switzerland where cake has seen real growth over recent times. The Ultrapharm business has extended us into additional markets of Poland, Scandinavia and Italy.

Our Products

We make a wide range of cake and bread products to serve the UK retail and foodservice markets. Our cake products are retailer own label and licensed brands, our bread products are retailer/wholesaler label with our Kara foodservice brand representing a significant proportion of our total foodservice business.

Bread, Morning Goods and Cakes

- Speciality breads
- Buns and rolls
- Celebration cakes
- Sharing cakes
- Snacking cakes
- Gluten-free bread, morning goods and cakes



Kara Foodservice

Kara is our own foodservice brand. The Kara brand covers an ever-growing portfolio of savoury and sweet baked goods, including floured baps, artisan breads, brioche buns and single serve cakes focusing on the latest consumer trends.

Licensed Brands

Finsbury are proud of the partnerships we have with a broad range of different licensed brands, allowing us to manufacture innovative quality products across bread and cake.

MARS

We manufacture a broad range of cake products using some of the iconic brands within the MARS portfolio such as Galaxy, Maltesers, M&M's and MARS Bar. These product formats range from sharing cake to celebration cakes and can be found within most retail outlets. We work closely with MARS to ensure the products are the perfect representation of each brand in terms of taste and quality and meeting consumer expectations.

Thorntons

Our 20-year partnership with Thorntons continues to allow us to develop and manufacture a premium range of celebration, snacking and seasonal products to the market under this iconic British brand. The Thorntons brand within cake is one of the few premium based brands within the category, with our core iconic caramel shortcake bites being one of the most popular formats within the range.

BOSH!

BOSH! is seen as the largest vegan based brand within the UK market in terms of reach and engagement and continues to grow. Working closely with brand founders and friends Henry Firth and Ian Theasby we continue to develop innovative products that meet the ever-growing demands of vegan consumers and BOSH! fans alike.

Mary Berry

Now in our seventh year of partnership we continue the evolution of our Mary Berry product range. The Mary Berry brand is now established as a core staple within cake, across both celebration and sharing cake categories.

Diageo

Our relationship with Diageo has now evolved across key brands such as Baileys and Gordons'. This partnership has allowed us to develop on-trend product profiles that meet that ever popular "boozy cake" trend, delivering both in taste and occasion needs. The product range stretches across celebration, snacking and seasonal areas and has become an integral part of our branded portfolio.

Character Licensed Portfolio

We have a broad and unique portfolio of character-based entertainment licenses that meet a broad age range and diverse consumer occasions. We work with some of the biggest character licensed brands in the world. Our ever-evolving portfolio is vital in meeting consumer trends and expectations. We continue to build on our range of nut-free celebration cakes by leveraging our key brands and in turn meet the growing demands of this market. With a range that covers everything from movies to gaming and collectable toy licence properties, we work with some of the largest globally recognised brand owners, such as Disney, Warner Bros. Xbox, Nintendo, Hasbro and Universal and we are able to bring market-leading celebration cakes that meet every birthday age. Over the last 12 months we have seen the performance of our character license range grow both in the UK, France and Benelux due to the strength of license and product formats we have developed and produced.

TGI Fridays

The TGI Fridays collaboration is now a year old and has met the ever-growing dessert trend within the market. Our range of American-themed treat cakes are perfect for all sharing occasions with further flavour profiles being added to the range.

Vogel's

Alfred Vogel was a pioneering Swiss nutritionist who used natural ingredients. Vogel's loaves are baked without added sugar, emulsifiers, enzymes, or artificial preservatives or flavourings, and are bursting with seeds and grains.

Village Bakery

The range of organic fresh rye bread brands for those looking to avoid wheat. All made with no added yeast, emulsifiers, or enzymes.

Cranks

Wholesome, simple, nutritious bread baked with organic stoneground wholemeal flour and fermented for longer, made without any additives such as emulsifiers and enzymes.



Market Review

An overview of the markets we operate in, and a summary of the key trends we aim to take advantage of.

Our Markets

Despite signs of a return to pre Covid-19 consumption demands, market conditions continue to be extremely challenging for the food industry. Commodity price increases, further destabilising supply chains and increased costs triggered by the Ukraine conflict, as well as soaring energy prices pose a significant challenge to all UK food and drink businesses.



Retail

Grocery

Inflation dominated headlines throughout the year, most noticeably in the second half of our trading period as the impact of increased fuel and grocery costs was felt. Ambient grocery sales value fell slightly by -0.7% with take home volumes falling by 4% as pressures increase on household budgets, cancelling out post-Covid-19 volume gains from last year (Kantar Worldpanel, 7 Aug '22). With consumers having limited ability to offset increased cost pressures, shopping to budget became the trend in the second half of our trading period. The average annual grocery bill is currently projected to rise by £380 (Kantar Worldpanel, 20 June '22). While premiumisation continues to be a key consumer focus, discounter market share has recently increased through footfall, as shoppers seek to manage their weekly grocery spend.

Cake

Finsbury continues to be one of the most significant manufacturers of cake in the UK, with the market currently valued at £1.028 billion (+7.7% year on year), with volumes up 1% on the previous year. Celebration cake saw the strongest value growth at 10.3% for which Finsbury has the strongest share presence, followed by sharing products and seasonal (IRI, 52 w/e 16 July '22).

Bread

The retail bread and morning goods market has increased in value to £5.25 billion, growing by 1.7% year on year (Kantar Worldpanel, 52 w/e 10 July '22) with Finsbury having a sizeable presence in buns and rolls, hot cross buns and artisan bread.

Free From

The retail Free From cake market is valued at £58.2 million +10.1% (Kantar Worldpanel 52 w/e 7 August '22) and the retail Free From bread and morning goods market is valued at £164.0 million +13% year on year (Kantar Worldpanel, 52 w/e 7 August '22).

£58.2m

Retail value of the Free From cake market as of August 2022.

Out Of Home

The UK out-of-home market spans many sub-sectors including coffee chains, restaurants, pubs, hotels and the non-profit sector such as the prison service or education. Each has different routes to market. The UK eating out market is set to value £95.2 billion in 2022, +4% vs. pre-Covid-19 2019 value, with unrestricted trading and inflation the main drivers (Lumina Intelligence). Retail, travel and leisure are the strongest performing segments, with recovery particularly driven by quick service channels.

We have a significant presence in the out-of-home bread and morning goods sector, primarily via our buns and rolls business and with our Kara brand. In sweet treats our presence is primarily within the coffee chains.

£95.2bn

The UK eating out market value in 2022, +4% vs. pre-Covid-19 2019 value.

Overseas

Our overseas markets are primarily in Europe, principally France, Benelux and Ireland, with a smaller presence in most other major European countries. The size of these markets is significant, and their structure is similar.

Consumer Trends

Following improvements in consumer confidence through 2021, views of the state of the economy are extremely pessimistic, with consumers seeking value for money in their purchase choices. However, although price conscious, they are also seeking affordable treats from products offering “value” also in terms of a positive eating experience, both in and out of home.

The trend towards healthier eating options has been a feature of the UK food and drink market for several years and has continued to evolve. However, indulgence remains a key trend and consumers continue to look to “sweet-treating” categories for affordable treats. Media focus and regulatory pressure will remain a driver for recipe reformulation, portion size and product innovation. Indeed, new legislation, targeting a number of High Fat, Salt and Sugar (HFSS) categories including cake and morning goods, will be implemented in the second half of 2022 which will influence how these categories are advertised, displayed and promoted in store and online.

Long-term social and demographic trends have a major bearing on the food sector. These include the rise of smaller households, single-person mealtimes, an ageing UK population, growing urbanisation, and an increasingly mobile population (although this has stalled due to Covid-19) with less time to eat. This growing fragmentation of consumers, channels, eating moments and needs is translating into increasing demand for personalised products to meet individual needs. As a result, single-serve and individually wrapped products are becoming more prevalent and important. The latter may continue to gain popularity as a consequence of the Covid-19 pandemic with food safety and hygiene featuring higher on the list of consumer priorities.



Finsbury Food Group creates and supplies bakery product ranges across both retail grocery and foodservice markets, in the UK and internationally. We aim to match and satisfy key consumer demands, new consumer trends and specific bakery-market niches.



Chairman's Statement

The Group delivered a record revenue figure for the full year ended 2 July 2022; this was achieved during a period of exceptional macroeconomic turbulence. The financial year was set against a backdrop of further Covid-19 restrictions which helpfully eased as the year progressed. There were, though, increasing and now persistent ongoing pressures from input cost inflation, staff shortages and other supply chain disruptions.

The period under review saw a number of testing obstacles for the wider consumer sector and the manner in which Finsbury successfully navigated these headwinds is testament to the diligence and experience of our management team. Whilst these various pressures are likely to persist in the near future, I am confident that we have the best possible team in place to continue executing on our strategy and to further strengthen our position in the market as our business is aligned with long-term consumer trends.

The challenges have been significant. Our commercial teams have needed to be in constant dialogue with our customers and suppliers to deliver the necessary revised commercial arrangements to address this volatile situation. However, our focus on strategic execution has not wavered and we have continued to make good progress against our objectives, based around our three pillars of Excellence, Growth and Responsibility and underpinned by our Operating Principles.

One such objective has been to bring the Group businesses closer together to operate as a single cohesive unit. This is giving us both uniformity and improved efficiency in our processes, procurement, procedures and communication. In turn, this will make us stronger; creating a platform that will enhance our future performance.

The hard work and dedication of the whole Finsbury team has enabled us to navigate these challenges and changes while still achieving strategic progress and delivering a commercial performance in line with market expectations.

The clarity of our strategy and the resilience of our business model means the Company is well positioned for continued growth.

A Robust Performance

Our agile management of the evolving macroeconomic situation has allowed us to deliver a robust performance for the period with the Group posting record revenue figures, alongside notable operational successes and continued investment. The full year figures do reflect the beneficial impact of the relaxation of Covid-19 restrictions, compared with the previous 12 months trading.

Group revenue increased by 13.9% to £356.8 million, bolstered by a particularly strong second half performance with revenue up 18.7%, against the corresponding period in the prior year. Adjusted EBITDA increased by 6.9% to £28.7 million (2021: £26.9 million), adjusted profit before tax increased by 12.1% to £17.0 million (2021: £15.1 million) and the Group delivered an adjusted diluted EPS of 10.1p. The Group's net bank debt position by year end was £20.6 million (2021: £13.1 million) as the business increased its stake in Lightbody-Stretz Limited, its European distribution subsidiary, from 50% to 85% in February 2022.

It is pleasing and reassuring that the 13.9% increase in Group revenue was driven by 8.7% of volume growth which indicates the quality, relevance and innovation of the Group's products. The Group's sales growth has been achieved through a good performance in the Group's UK bakery, up 12.1%, which includes

a continuation of the recovery in foodservice (up 38.1%). There was also an impressive 26.6% increase in the Group's overseas division. The overseas performance is particularly pleasing and reflects the management team's excellent execution and growth ambitions, along with our continued desire to invest in the European opportunity.

The Group also successfully negotiated a new four plus one year £120 million credit facility (£60 million core plus £60 million accordion) effective as of 27 June 2022. Whilst the current stock market conditions persist and lower ratings of food manufacturers are weighing heavily on share prices, these new credit facilities will provide financial flexibility for the Group to pursue its significant growth ambitions. As communicated in the February 2022 Interim Results announcement, the Board continues to explore opportunities to accelerate the growth of the Group through targeted acquisitions. The continued successful execution of the Group's strategy positions us well to succeed in both the retail grocery and out-of-home channels in the UK and Europe particularly through the development of a strong licensed brand portfolio to complement our core retailer brand relationships.



Dividend

Given the robust performance and sound financial position of the Group, the Board will be recommending a final dividend of 1.67 pence per share at the forthcoming AGM, which will take the total dividend for the year to 2.50 pence per share (2021: 2.40 pence).

Considerable Operational Progress Despite Macroeconomic Headwinds

We have continued to invest and focus on the deployment of our Operating Brilliance Programme (OBP) which, facilitated by a cloud-based, Group-wide IT system, has enabled us to recover this inflation, whether it be through operating efficiency or price increases.

We are progressively delivering a suite of best-in-class business systems and increased efficiencies, to optimise our business operations. This will help protect us in the short-term and be ready for when the market returns to more normal conditions.

There is still a lot of work to be done, however, the progress made this year has been significant. We have continued to strengthen our category-leading new product development (NPD) expertise, and have further implemented best practice through our Process Blueprint, a product design framework delivering quality and efficiency. Steps like these should ultimately help us to create long-term shareholder value, through share price appreciation and attractive dividends.

A Responsible Business

At Finsbury we hold social responsibility at the very core of our ethos and, as we challenge ourselves to be a more conscientious and socially impactful business, accountability around our progress is important.

As part of our ongoing social responsibility programme, we will continue the journey to our target of reducing emissions in line with the Science Based Targets initiative (SBTi) methodology. Alongside this, we will work with our supply and customer partners to source raw materials in a sustainable and ethical way.

Investment and development of people is key to our success, and we are committed to investing in our staff to help attract and retain talent through exploring new recruitment channels, and mechanisms to engage and retain our existing workforce. Alongside this, we have invested in graduate talent, apprenticeships and leadership development for the future, as well as launching our Diversity and Inclusion strategy through a series of policies, campaigns and training programmes to build awareness and understanding.

Our People

Our people are the bedrock of our business and the culture that pervades across Finsbury has helped us to endure difficult conditions with great professionalism and calm. It is their focus which has resulted in our year on year progression in quality performance, with complaint numbers and rates continuing to reduce on a yearly comparative basis.

Our teams have worked extremely hard to create the right working conditions for Finsbury to succeed and, on behalf of the Board, I would like to take this opportunity to thank all members of staff for their dedication and commitment.

I would also like to extend my appreciation to the Board and wider Executive team who have done an excellent job in navigating the Group through what has been an exceptionally challenging period. Through their leadership and expertise, Finsbury has not deviated from its strategic ambitions and the robust set of results reflects their success.

Outlook

The past year has been set against a backdrop of exceptional macroeconomic headwinds. Finsbury has faced unprecedented challenges as a result and, simply taken at face value, the in-line performance does not convey the monumental levels of hard work that took place behind the scenes to deliver it. These results are a great achievement. Management deserves a great deal of credit for its stewardship and I am incredibly grateful to our colleagues who have all played an important role in getting us to this point. FY22 was another year in which the agility and resilience of the Finsbury model was put to the test, and again it was proven to be more than fit for purpose even in the most volatile of trading conditions.

Whilst we recognise that the future is difficult to predict with any certainty as the true impact of the inflationary environment is not yet known, we remain confident in our strategy. The past few years have not been easy, but we continue to stand up well. Across our Group, NPD continues at pace, we have diversification of products, channels and markets which stand us in good stead and, ultimately, we have a strong track record of moving forwards as a business in difficult times. This gives the Board confidence that the Group will continue to make progress and deliver profitable growth.

Peter Baker
Non-Executive Chairman
23 September 2022

Chief Executive's Report

The period under review was a year in which Finsbury had to navigate significant post-pandemic challenges impacting the availability and cost of all inputs whether it be materials, utilities, labour and, indeed, overheads in general. The impact and scale of these additional inflationary pressures throughout the year exceeded £27 million and the level of response required across the business to address them and go on to deliver a record sales performance cannot be overstated. For many years we have been investing to reinforce and optimise the Group, making it as nimble, adaptable and able to withstand adversity, as possible. FY22 was a real test of how far we have come, and I am proud of how we performed.



Our retail business performed well, we continued to see a bounce back in foodservice, and our overseas division continued to see strong growth.



Within our markets, overall demand for food and drink has remained resilient. Our retail business performed well, we continued to see a bounce back in foodservice, and our overseas division continued to see strong growth.

Record Revenue Performance Despite Challenging Environments

The Group delivered a very strong full year performance, particularly given the environment in which we were operating in. Total sales of £356.8 million represent a 13.9% increase of which volume is 8.7% versus the corresponding period in the prior year. The Group delivered a strong second half performance, with H2 revenues up 18.7% (of which volume is 10%) against the corresponding period in the prior year.

13.9%

Total sales of £356.8 million represent a 13.9% increase.

This growth in sales has been driven by a stable performance in the Group's core division, UK bakery, up 12.1%, which includes a continuation of the robust recovery in foodservice, up 38.1%, and a 26.6% increase in the Group's overseas division.

Unprecedented pressure from input cost inflation, staff shortages and other supply chain disruptions persisted throughout the period. Pleasingly, the Group was able to mitigate much of the impact through revised pricing and commercial arrangements, operational improvements and supply chain initiatives. It will continue in the same vein as further inflationary cost pressures are expected in the new financial year.



The Group achieved a record sales performance while demonstrating strong resilience. We were able to mitigate inflationary pressure on costs through revised pricing and commercial arrangements, operational improvements and supply-chain initiatives.

Our strategy is central to the ongoing success of our business and is spread over three key pillars:

Excellence

We invest in our people and our operating sites to form a strong foundation to underpin our strategy. We create innovative high-quality bakery products that anticipate key market trends and ensure that customer and consumer needs are at the heart of our decision making.

Growth

Our Group seeks to drive growth both organically and through acquisition, targeting both the retail grocery and out-of-home channels in the UK and Europe. We have developed a strong licensed brand portfolio to complement our core retailer brand relationships.

Responsibility

Our commitment to building a sustainable operating model is built on a holistic framework that puts our people's development, engagement and health and wellbeing at the heart of our business. We strive to continually reduce our impact on the planet by investing in technology, expertise and driving shared ownership across our growth partners.

Chief Executive's Report/Continued

1. Excellence

The implementation of our Operating Brilliance Programme (OBP), centred around building people and process capability, continues to deliver meaningful benefits to performance.

In light of the challenging landscape we have been operating in for several years, we have focused on building resilience across the Group and creating a platform for continually improving performance. In FY22, our initiatives were responsible for a combined £4.5 million of gross annual savings, and we expect these benefits to continue.

A major focus in FY22 has been the development of a suite of best-in-class systems, all linked to our business intelligence software, with a view to delivering Group-wide, high-quality data which we can use to make more effective decisions.

FY22 systems investment included:

- An integrated Group Supply Chain Planning System, which will enable us to move to an integrated business planning model;
- A Product Lifecycle Management System, which will transform our development process, ensuring we have an effective product design framework to deliver profitable growth; and
- A Group-wide Computerised Maintenance Management System (CMMS) roll out has commenced in all bakeries.

The final piece in the best-in-class systems jigsaw is a new HR system, which will be implemented in FY23. Once in place, this system will materially reduce administration workload and improve areas like skills training and development effectiveness within the business.

Moving forwards, we remain focused on extending, embedding and sustaining our Operational Brilliance Programme at an increasingly Group-wide level, including at interfaces with key customers and suppliers to promote best practice both internally and externally.



2. Growth

The Board is committed to driving growth through a combination of organic growth and targeted acquisitions.

We are delighted to report continued growth across our portfolio in the UK and Europe as we continue to work collaboratively with our partners to drive growth in our key markets. We are particularly focused on capitalising on the continued rapid growth within our Lightbody Europe subsidiary aligned to our celebration, small cake and Free From category strategies, accelerating progress through our licensed brand portfolio and a strong innovation pipeline.

As sales patterns have become more normalised throughout the period following the impact of lockdowns, we have continued to succeed in both the retail grocery and out-of-home channels in the UK and Europe, working closely with our foodservice partners to enable a strong recovery. We continued to embed our whole cake strategy and accelerate our small cake performance, led by food to go with our indulgent and plant based snacking offer outperforming the market across both the grocery and convenience channels.

From a brand portfolio perspective, we continued to go from strength to strength. We have invested in our gluten-free business in the UK and Poland, expanding capacity and capability and driving double-digit growth. In Europe, we have extended our Free From Wiso brand, which we will look to drive further scale in FY23, leveraging our Lightbody Europe business model to deliver this. Three of the top five celebration cake lines in the UK are Finsbury's and our Xbox product is the fastest growing cake in the market. We continue to hold the broadest license portfolio, which we continually evolve to ensure that we are catering to the diverse range of consumer needs.

To remain a leader in our key channels, we will implement consumer-led growth strategies across cake product categories and focus on targeted bread consumer-led growth in both retail and out-of-home markets. Product development is also a key future focus as we increase capacity and capability in two strategically important category areas of buns and rolls and celebration cake. Further development and implementation of our Group Free From strategy will continue as we seek to drive further growth within this sector by extending our reach wider into speciality bread, morning goods, sweet treat and cake categories.

The Board continues to explore opportunities to accelerate the growth of the Group through targeted acquisitions and strategic investments. In February 2022 we acquired a further 35% shareholding in Lightbody-Stretz Limited, taking our ownership from 50% to 85%, reflecting our continued belief in the opportunity in Europe.

The Group's new credit facility provides financial flexibility for the Group to pursue its significant growth ambitions, as and when appropriate, potentially through further M&A.

3. Responsibility

Finsbury has always prided itself on being a responsible business that acts with integrity and care, both for our people and towards the planet.

A primary focus has been to further develop key skills, subject matter expertise and capability, in addition to investing in graduate talent, apprenticeships and leadership development for the future.

This year saw the launch of our Diversity and Inclusion strategy through a series of policies, campaigns and training programmes to develop awareness and understanding. We also progressed our Health and Wellbeing and Community Engagement programmes, including further developing our partnerships with UK charities GroceryAid and FareShare at a Group level, whilst continuing to support team member nominated charities at a local level. We will soon be redeploying our Employee Engagement survey to assess the impact of our Employee Engagement programme with a view to driving continued improvement in our workplace culture.

Sustainability is in our DNA, with metrics and goals embedded within all our business strategies. As a result of our focus on driving recycling rates, 85% of our waste is now recycled (up from 80% last year) with the balance being used to generate power. We remain a certified zero landfill business and as part of our commitment to the WRAP objectives on plastic usage, 91% of our packaging is now recyclable. We will continue to increase the recycling rate through the training and the application of technology.

"Scope 1 and 2" emissions have been reduced by 20% against our 2016 base line, and we are creating a Supplier Partner Sustainability Forum to work collaboratively on reducing the Group's environmental impact. This will include the measurement of our "Scope 3" emissions with our key suppliers.

We now have live data monitoring systems for electricity use for all our key assets, helping teams to calculate the impact of action in real-time and saving up to 10% of energy usage. The implementation of these systems has allowed us to convert 90% of our lighting to LED and we will achieve the complete 100% transition later in the calendar year 2022, saving over 260 tonnes of CO₂ per annum. Automated live usage monitoring will be extended to gas and water to help teams to identify reduction opportunities.

Raw materials continue to be sourced in line with a variety of sustainable and ethical standards, including Fair Trade and the Rainforest Alliance. Our palm oil adheres to

the RSPO segregated sustainability standard. Moving forward, we will persist in working with our supply and customer partners to source raw materials in a sustainable and ethical way.

I would like to take this opportunity to personally thank our teams across the Group for their continued hard work, determination and commitment. Without their efforts we would not have been able to navigate the challenges we have faced and, in turn, deliver a record performance.

Outlook

Finsbury has faced unprecedented challenges in recent years, first triggered by the Covid-19 crisis and now by arguably the most challenging input cost inflation in decades and falling consumer confidence. Despite these, the resilience and swift response across our business enabled us to deliver a record revenue performance in the period under review.

Looking ahead, macroeconomic and inflationary headwinds are set to persist at levels in excess of that experienced in FY22. However, Finsbury is no stranger to responding to difficult trading conditions and uncertainty. Since long before the onset of Covid-19, we have been focused on diversifying products, channels and markets; unifying our businesses; identifying efficiencies; and making the Group more resilient and able to respond quickly and effectively to changing dynamics. The work our teams have put in over the past several years continues to leave us in a strong position relative to many.

The continuation of our Operating Brilliance Programme has resulted in significant progress to date and there is encouraging momentum as we move through the new financial year. FY22 saw further expansion of our international footprint, continued reinforcement of our best-in-class systems, and further advances in refining and strengthening our product range, such as in gluten-free. In FY23, we aim to continue in a similar vein, making incremental improvements to our operations, such as through the launch of a new Group-wide HR system, that will stand us in good stead as we navigate the challenges ahead.

While we now have two months of trading under our belt in the new financial year, the complexity of the pressures we are facing and the uncertain outlook around the phasing and extent of the impact of rising inflation and energy prices on consumer demand means it is difficult to predict how the rest of the year will unfold. The effectiveness of government policy

to tackle the cost of living crisis, with energy price inflation sitting at the centre and affecting both consumers and companies, is another important variable that muddies the picture. However, we are experienced in dealing with adversity; our business is aligned with long-term consumer trends; we have a proven, agile model; and we continue to execute a strategy that we believe will continue to improve the business irrespective of external turbulence.

These factors combined give us confidence that, whilst we can't control the headwinds we are facing, we will be well positioned once the macroeconomic situation stabilises.



John Duffy
Chief Executive Officer
23 September 2022



Our focus on diversifying products, channels and markets, unifying our businesses and identifying efficiencies allows us to respond quickly and effectively to changing market dynamics.



We will be well positioned once the macroeconomic situation stabilises.

Strategy and Objectives

Our Purpose, Strategy and Operating Principles provide a vision and framework for strategic governance, creating value, sharing best practice and working effectively as a Group.

Our Purpose

Baking
brilliance
makes every
day special.

Our Vision

To be
the leading
speciality
bakery group.

Our Strategic Pillars help us create sustainable value for our shareholders, customers and other stakeholders.

Excellence

We invest in our people and our operating sites to form a strong foundation to underpin our strategy. We create innovative high-quality bakery products that anticipate key market trends and ensure that customer and consumer needs are at the heart of our decision making.

Growth

Our Group seeks to drive growth both organically and through acquisition, targeting both the retail grocery and out-of-home channels in the UK and Europe. We have developed a strong licensed brand portfolio to complement our core retailer brand relationships.

Responsibility

Our commitment to building a sustainable operating model is built on a holistic framework that puts our people's development, engagement and health and wellbeing at the heart of our business. We strive to continually reduce our impact on the planet by investing in technology, expertise and driving shared ownership across our growth partners.

Our Operating Principles

To achieve baking brilliance, we have to constantly raise standards and work effectively as a Group. The Finsbury Operating Principles are a set of practical commitments and guidelines for how we run our business, and which bring our strategy to life in our day-to-day work.

Increasingly all stakeholders in our business are looking to understand our Environmental, Social and Governance (ESG) credentials. The Operating Principles by their nature incorporate our ESG commitment. The pages dedicated to expanding on our Business Model together with the case studies give good examples in support of our strategy into action. Appropriate KPIs are in place to measure our progress (some of the key metrics are given on pages 34 to 35).



Operating Excellence

We continually invest in our bakeries to improve our efficiency and customer satisfaction.

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.

Quality and Innovations

Our innovative, high-quality bakery products reflect changing customer needs and anticipate key market trends.

Sustainable Approach

We optimise our use of resources and focus on reducing waste throughout our supply chain and in our bakeries.

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.

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 Use

Financial Capital

AIM-listed, three banks supporting strategic investment and acquisitions, local government support for Scottish and Welsh businesses, low leverage.

Intellectual Capital

Extensive speciality bakery product know-how and understanding. A known UK Foodservice brand. Licence arrangements with brand owners.

Manufacturing Capital

Well-invested plant and machinery, ownership of all major sites, with available space for expansion, common Group enterprise resource planning (ERP) platform.

Human Capital

Extensive customer relationships in the retail and foodservice sectors. Structured people strategy to attract, retain, develop, review, train and promote people with the right skills.

Social and Natural Capital

Sustainable sourcing, high-quality food safety and technical standards, uniform health and safety system across the business.





Creating Value

Excellence

We invest in our people and our operating sites to form a strong foundation to underpin our strategy.

We create innovative high-quality bakery products that anticipate key market trends and ensure that customer and consumer needs are at the heart of our decision making.

 For more information see pages 18 and 19

Growth

Our Group seeks to drive growth both organically and through acquisition, targeting both the retail grocery and out-of-home channels in the UK and Europe.

We have developed a strong licensed brand portfolio to complement our core retailer brand relationships.

 For more information see pages 20 and 21

Responsibility

Our commitment to building a sustainable operating model is built on a holistic framework that puts our people's development, engagement and health and wellbeing at the heart of our business.

We strive to continually reduce our impact on the planet by investing in technology, expertise and driving shared ownership across our growth partners.

 For more information see pages 22 and 23

Value for Shareholders

We aim for share price growth and attractive dividends.

For Customers and Consumers

We are constantly innovating and refreshing our selection of bread, cakes, niche, specialty and branded products to supply a diverse customer base and a broad range of end consumers.

For Individuals and Communities

We offer employment and development opportunities ranging from unskilled, through to semi-skilled to management at all our bakeries and offices.

For Society

We generate substantial tax revenues for the UK and other jurisdictions through Corporation Tax and many indirect taxes, as well as employees' income tax and national insurance.

Excellence

We have been steadily investing in and building a suite of best-in-class business systems.

Excellence

KEY DRIVER

WHAT WE HAVE ACHIEVED

Acceleration of Operating Excellence maturity.

Our Operating Brilliance Programme (OBP) journey has continued to progress at pace and is delivering a step change in performance by building people and process capability under a clear purpose banner. The Operating Excellence agenda touches every Operating Principle and is now "The Golden Thread" that runs through the business.

Our business forums have continued to mature over the past 12 months and reach across operations, supply chain and commercial. They are allowing delivery of initiatives which allow leverage of Group scale, for example successfully embedding best-in-class sales and operations planning (S&OP) process and execution.

Continued investment in systems, process and people allowing leverage of scale benefits.

We have been steadily investing in and building a suite of best-in-class business systems, all linked to Power BI, which delivers Group-wide high-quality business intelligence, driving effective decision making and directly influencing our ability to continually improve.

FY22 investment includes:

- Optimity, our supply and demand planning system, which is a key enabler for our strategic goal to move formally to an integrated business planning model.

- Point 74, which will transform our development process and will ensure we have an effective product design framework to deliver profitable growth.
- A Group-wide CMMS roll out has commenced in all bakeries, this is a key element to drive our holistic asset care aspirations, under the OBP banner.

Building business resilience within a challenging landscape and creating a platform for continually improving performance.

Rapid deployment of our Operating Brilliance Programme despite the challenging external environment, has returned gross benefits of £4.5 million in FY22 and we expect these to continue.

We have utilised our strategic supply and customer relationships to manage the impacts of inflationary pressures whilst maintaining a focus on longer-term growth strategic objectives.

Targeted investment in core category areas of buns and rolls and celebration cake have laid the foundations for cost effective growth through enhanced productivity.



FUTURE FOCUS

Our headline future focus is to extend, embed and sustain our Operational Brilliance Programme Group-wide, including interfaces with key customers and suppliers.

The final piece in the best-in-class systems jigsaw is a new HR system, this will be implemented in FY23.

Continued delivery of benefits associated with the Operating Brilliance Programme, with the scale of these increasing as maturity evolves and we broaden the focus enterprise wide.

Specific focus will be on asset care and optimised organisational design in order to support Operational Excellence maturity.

As we continue our journey towards Operating Excellence maturity we will capture, benchmark, and deploy best practice both internally and externally.

Using our business systems framework we will focus on process standardisation and effective use of all key systems and processes. Priority within this will be to streamline data flow, eliminating manual intervention and ensure linkages of key business processes both internally and externally – ultimately to drive value.

Development and deployment of a robust Value Add and Value Engineering strategic programme enabled by a holistic partnership approach with strategic supply and customer base partners.

Implementing the first phase of our sustainable automation strategy to drive enhanced productivity.

INTERNAL KPI

OBP maturity vs. world-class standards.

OTIF of systems integration vs. plan.

% of automated management information KPI.

Value of FY23 OBP benefits.

Growth

Category strategies and targeted category leadership have enabled continued growth across our portfolio.

Growth

KEY DRIVER

Drive growth through a combination of organic growth and targeted acquisitions.

Aim to succeed in both the retail grocery and out-of-home channels in the UK and Europe.

Develop a strong licensed brand portfolio to complement our core retail relationships.

WHAT WE HAVE ACHIEVED

Acquired a further 35% shareholding in Lightbody-Stretz Limited in February 2022 taking our ownership from 50% to 85%, reflecting our investment behind our European growth.

We have worked closely with our foodservice partners to enable a strong post 'lockdown' recovery in our out-of-home. We continued to embed our whole cake strategy and accelerate our small cake performance, led by food to go with our indulgent and plant based snacking offer outperforming the market across grocery and convenience channels.

We have invested in our gluten-free business in the UK and Poland, expanding capacity and capability and driving double-digit growth. In Europe, we have launched our 'Wiso' brand.

Category strategies and targeted category leadership have enabled continued growth across our portfolio in the UK with key grocery partners and across Europe.

We continue to enhance our quality reputation within the market through our category leading NPD expertise and Process Blueprint foundations.

We have continued to drive year on year progress in quality performance with complaint numbers and rates continuing to reduce year on year on a like-for-like basis.

Brilliant NPD in FY22 has ensured that three of the top five celebration cake lines are Finsbury 'owned'; our Xbox product is the fastest growing cake in the market. We continue to hold the broadest license portfolio, which we continually evolve to ensure that we are catering to the diverse range of consumer needs.



FUTURE FOCUS

INTERNAL KPI

We will continue to work collaboratively with our partners to drive growth in our key markets, leveraging our category marketing expertise.

Capitalise on continued rapid growth across our Lightbody Europe subsidiary aligned to our celebration, small cake and Free From category strategies, accelerating progress through

our licensed brand portfolio and a strong innovation pipeline.

Continue to progress our Process Blueprint excellence agenda moving forwards to the next phase where we start to bring in predictive and closed loop quality control elements driven by high-quality management information.

Revenue Growth %.
Market Performance by Category.

Deliver consumer led growth strategies across cake product categories, and focus on targeted bread consumer led growth in both retail and out-of-home markets.

Increase capacity and capability in our strategically important category areas; buns and rolls and celebration cake.

Further development and implementation of our Group Free From strategy to drive growth within the sector by extending reach wider into

speciality bread, morning goods, sweet treat and cake categories.

Continue to drive our best-in-class quality agenda in all key strategic product areas, supported by the implementation of our product lifecycle management system over the course of FY22/FY23. This will deliver right first-time NPD and a more agile response to customers.

Revenue Growth %.
Market Performance by Category.

Deliver a continually evolved and innovation led celebration cake brand portfolio that represents a best-in-category solution for each of our key customer partners.

Broaden our branded small cake offering across differing channels and in new formats.

Look to drive scale of our Wiso brand across Europe leveraging our Lightbody Europe business model to deliver this.

Revenue Growth %.
Market Performance by Category.

Responsibility

We continue to source raw materials to a variety of sustainable and ethical standards, including Fair Trade and Rainforest Alliance.

Responsibility

KEY DRIVER

WHAT WE HAVE ACHIEVED

Treading lightly on the planet.

We have now recruited a dedicated Group Sustainability Manager to work with our business and with our partners throughout our value chain.

Our teams have focused on driving recycling rates and 85% of our waste is now recycled (up from 80% last year) with the balance being used to generate power. We remain a certified zero landfill business.

As part of our commitment to the WRAP objectives on plastic usage, 91% of our packaging is now recyclable.

We have reduced our “Scope 1 and 2” emissions against our 2016 base line by 20%.

We now have live data monitoring systems for electricity use for all our key assets, helping teams to calculate the impact of action in real-time and saving up to 10% of energy usage.

We have converted 90% of our lighting to LED and will complete this in 2022, saving over 260 tonnes of CO₂ per annum.

We continue to source raw materials to a variety of sustainable and ethical standards, including Fair Trade and Rainforest Alliance. Our palm oil adheres to RSPO segregated sustainability standard.

Be recognised as a great place to work.

We continue to drive our “HomeSafe” safety programme and have initiated a culture-based safety improvement programme to support a further improvement in our safety performance.

We have launched our Diversity and Inclusion strategy through a series of policies, campaigns and training programmes to develop awareness and understanding.

We have progressed our Health and Wellbeing and Community Engagement programmes including further developing our partnerships with GroceryAid, to “Gold” partner status, and FareShare at a Group level whilst continuing to support team member nominated charities at a local level.

We have addressed the labour availability challenge via a series of initiatives including exploring new recruitment channels, and mechanisms to engage and retain our existing workforce.

We have further embedded the use of Workplace, our digital communication platform, across the entire workforce – driving engagement step change across the business.

We have continued to further develop key skills and subject matter expertise capability, in addition to investing in graduate talent, apprenticeships and leadership development for the future.



FUTURE FOCUS

We are creating a Supplier Partner Sustainability Forum to work collaboratively on reducing our environmental impact. This will include the measurement of our "Scope" emissions with our key suppliers.

Our Environmental Management System will be aligned and audited in line with ISO14001 standards by 2024.

We will continue to increase the rate of recycling of waste through the training and engagement of our teams, and by applying technology to allow us to optimise performance in this area.

Continue to drive our health and safety performance forwards through engaging our teams in behavioural safety initiatives as part of our "HomeSafe" programme to achieve a healthy and safe workplace.

Be assessed as working in line with ISO45001 by independent bodies for our health and safety management system.

Further develop our Diversity and Inclusion, Health and Wellbeing and Community Engagement programmes with national and local partners.

Automated live usage monitoring will be extended to gas and water to help teams to identify reduction opportunities.

We will continue our journey to our target of reducing emissions in line with the SBTi methodology, aligned with a 1.5C limit to global warming by 2030.

We will continue to work with our supply and customer partners to source raw materials in a sustainable and ethical way.

Deploy our Employee Engagement survey to assess the impact of our Employee Engagement programme and drive continued improvement in our workplace culture.

Actively promote our employer brand to drive engagement across diverse resourcing channels.

Continue to invest in developing key skills and capability as a source of competitive advantage, including graduate talent, apprenticeships and leadership development and develop roles that are more highly skilled and rewarding.

INTERNAL KPI

CO₂ reduction of 58.8% (from 2016 baseline) by 2030.

Waste recycling rates.

Accident frequency rate reduction.

Uptake of Employee Assistance Programme service by 33% over three years.

Engaging with Our Stakeholders

This section serves as our section 172 statement and should be read in conjunction with the Strategic Report and the Company’s Corporate Governance Statement. It also provides guidance to the disclosure of non-financial information that is necessary for an understanding of the development, performance, and position and impact of the Company’s activity. The Board’s aim, collectively and individually, is to always uphold high standards of conduct. When taking decisions, the Board always considers the long-term view and looks to act in the interests of shareholders as a whole and to ensure all shareholders are fairly treated.



Our People

People Who Care

Pages: 14-17

Report on Corporate Governance
Pages 42-47: **Section 3, 8**

Our People

Pages: 14-17

Responsibility Strategic Pillar

Pages: 22-23

Responsibility Case Study

Pages: 30-33



Our Customers

Growth with Our Partners

Pages: 15-16

Report on Corporate Governance
Pages 42-47: **Section 3, 8**

Growth Strategic Pillar

Pages: 20-21

Growth Case Study

Pages: 28-29



Our Suppliers

Growth with Our Partners

Page: 15

Report on Corporate Governance
Pages 42-47: **Section 8**

Excellence Strategic Pillar

Pages: 18-19

Responsibility Strategic Pillar

Pages: 22-23

The Board also believes that the business will be best served to grow and prosper in the long-term if it understands the views and needs of its shareholders, and other stakeholders, and factors these into its decisions.

Accordingly, engagement with our shareholders and wider stakeholder groups plays a key role throughout our business. We engage with our stakeholder groups in a variety of ways across a range of channels to facilitate information flows in both directions, with a view to ensuring our stakeholders are heard and taken into account in Board decision making, and also to ensure that our stakeholders understand the Group’s perspective and needs. Indeed, some of our key stakeholders – our employees (“People Who Care”), our customers and suppliers (“Growth with Our Partners”), and the environment (“Sustainable Approach”) have been built into the very core of the Finsbury business through our Operating Principles. Our “Quality and Innovations” and “Operating Excellence” Operating Principles also embed our commitment to a long-term approach. Our Operating Principles supporting our Strategic Pillars are set out in detail on pages 15 to 16, while examples of how we engage and put our Operating Principles into action are set out throughout this report.



Our Investors

Creating Value

Page: 17
Report on Corporate Governance
Pages 42-47: **Section 1,2**

Dividend

Pages: 9, 17, 40



Our Environment

Sustainable Approach

Pages: 16-17
Report on Corporate Governance
Pages 42-47: **Section 3,28**

Responsibility Strategic Pillar

Pages: 22-23

Responsibility Case Study

Pages: 30-33

Our approach to diversity and equal opportunities is addressed in The Directors’ Report set out on pages 50 to 53 and whistleblowing approach is noted in the Audit Committee Report on pages 56 and 57.

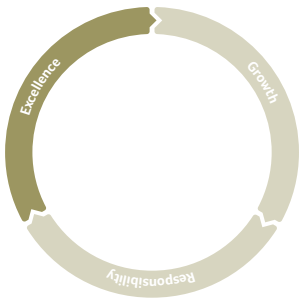
This statement is made in conformity with the requirement to explain how Directors fulfil section 172 of the Companies Act 2006.



Find out more

www.finsburyfoods.co.uk
Investors | Reports & Presentations

Excellence

Sustaining
Excellence

Lucy Wills, Group Operations Director – “Our Operating Brilliance Programme represents “The Golden Thread” which runs through the business, at the heart of this is our drive to continually make tomorrow better than today.”

This continued pursuit of Operating Excellence is best articulated by our brilliant team; Site Lead, Martin Hart chats with Operations Manager, Suzanne Cooper and Simon Taylor,

Operating Brilliance Lead of the Kara Foodservice team about the ideas, processes and teamwork they’ve brought about at the site following the Covid-19 pandemic.

Kara
Baking For Foodservice

**MARTIN**

Firstly, could you give us a quick overview of the Kara story to date.

SUZANNE

A couple of years ago when the country shut down for Covid-19, Kara was massively affected. We’re 100% foodservice, operating six days per week, then literally overnight restaurants and takeaways closed, and customers didn’t need our products anymore. So in a matter of days we had to shut down production. There were a lot of worries on site and concerns that we wouldn’t open again, so it was a really tough time for Kara.

MARTIN

So Simon, let’s bring you in here, what happened after that?

SIMON

We were closed for running for 10 weeks, we decided to take the opportunity to make some improvements. The engineering team did some fantastic work on the factory floor, such as LED lighting so the site is over 95% complete with LED lighting saving us energy. We engaged heavily in asset care activities doing deep dives into machinery which we wouldn’t be able to do under normal circumstances, and we came back stronger than before. We’re now up to six days running, and are producing on average 1.0 million buns per day.

MARTIN

Brilliant, tell us a little bit more Simon, what have been the key activities behind the performance turnaround?

SIMON

It’s been a challenging 18 months. Some of the key activities involved understanding the process. That was a big one for us, understanding what our machines could do and streamlining production. MARA played a big part for us as well, that’s our meeting and reporting alignment. Especially the tiered meetings – ensuring that people came on time, they had actions, and they were delivering these as well to facilitate the turnaround. And team member engagement was a really big piece for us on the factory floor, without their buy in none of this would have been possible. And probably understanding the *why* as well, I can’t stress that enough. Know why you’re doing the projects in the first place and why you’ll get the results you’re wanting to.

MARTIN

That’s great and it’s certainly borne out by site performance numbers and scores on the Employee Engagement survey. So Suzanne, can you tell us some of the practical things you did? I’m really interested to know how the likes of our shift managers and front line team members got involved.

MARA tiered meetings in action – Dave Everett (Shift Manager)

We introduced some visual critical checks for the line to first line managers. They'd walk the line at the beginning and end of shifts, to make sure everything was in place for good efficiency and low waste, and they could escalate any issues if needed to the shift manager. We also introduced an improved shift manager report, including all the relevant information that could be escalated up to tier one, two and three meetings.

Tiered meetings use an aligned meeting agenda. Tier one focuses on live issues so we could identify them and look to resolve them at the earliest opportunity. At tier two meetings we introduced 'Five Whys' root cause analysis to pinpoint issues we were having. As tier one and tier two meetings are run effectively, all the information is then ready for senior management's tier three meetings.

SUZANNE

We've got an amazing team here at Kara, and the start of our journey was with external consultants. They did a lot of coaching with us and opened us up to new ways of thinking. Some people assume that if you're trying to improve your efficiencies and trying to improve your waste that it's all just down to production and a little help from an engineer because you want some improvements to a machine. But at Kara we've had some fantastic cross-functional working where we've involved the warehouse technical and hygiene teams. We've had some really good ideas coming back through the Site Employee Forum, and we've been able to get some really quick wins in place. At Kara nobody says it's not my job, every department helps each other, and that's been so important for us – cross-functional working.

The projects have been brilliant that the guys have been doing so I think it's important that they tell you about that, it's not just about me, Simon and Martin.



Energy Management – Adam Woods (OBP Green Belt)

We've been using a system called ClearVUE proactively since about December 2020, to tell us how our equipment is actually doing and how much energy its using. We've utilised that data to look for opportunities where we can actually save energy, whether it be shutdowns or start-ups. We've also held awareness training with the senior leadership team and right through the site with customer care. It's just little tips on how to switch things off, or when to switch things off, and it's been taken on board really well. Especially with energy prices going up, it's all about saving that energy!

Process Blueprint – Stephen Sullivan-Hatfield (Bakery Process Manager)

Being a fully automated site, Blueprint should be quite simple. However, this wasn't the case. We had to change the culture of the site and explain what Blueprint was all about. We achieved this using monthly updates and coaching sessions with senior management, right the way down to the factory floor. Everyone now understands the importance and value of Process Passports, process audits and process improvements, which has resulted in an increase in efficiency, consistency in quality and a reduction in waste over the past six months. The continual monitoring and business improvements now mean that we work smarter and not harder.

MARTIN

If you had to pick one element from the Kara site turnaround that you're most proud of, what would it be?

SUZANNE

The Employee Engagement survey results. It shows that everything we're doing on site with the teams is working and is paying off, and it's fantastic recognition for the hard work of the teams and everything that's going on that our survey results are so high. We can't do it without our brilliant team at Kara, and that's showing in our engagement scores.

MARTIN

Kara had really positive scores in the recent Employee Engagement survey, what were the key things you did to deliver this?

SUZANNE

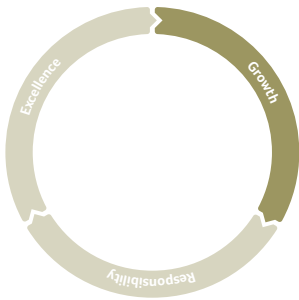
It's really about getting to know each other and working together. We all have each other's back at the end of the day. Nobody says "it's not my job"; we champion cross-functional working. We have a really great Site Employee Forum (SEF), involving a good mixture of people across the site. We've got some really good wins from the SEF, enabling ideas from the shop floor to come through, so we can try and help make their lives a bit better at Kara and try and put some quick wins in place. We use Workplace and site noticeboards to keep people informed and up to date on what's going on, so they feel included with everything. And lots of thank you's and little treats for them like a food van can go a long way.



Ian Chree, Group Efficiency Improvement Director

The team at Kara have really embraced the principles of Operating Brilliance, one of the key pillars of our Operating Excellence Operating Principle. The first step was to understand what we do and why we do it – Process Blueprint. This allowed the team to set standards around our key operating parameters and develop Process Passports for all our end-to-end processes. These Passports provide the detailed instructions for our team members to ensure we make high-quality products, efficiently every day, with a real focus on explaining "why" we do what we do. The team have also grasped the audit process around our processes, which feed into our Operating Brilliance Programme (OBP) that drives continuous improvement of our standards. The real step change in improvements at Kara began when the team ramped up their team member engagement activities around Process Blueprint and OBP and involved the whole team, with a focus on explaining why and encouraging everyone to ask why.

Growth

**Delivering
Growth**

Graeme Clark, Group Commercial Director –
“Putting growth at the heart of our business has enabled the Group to deliver record levels of revenue growth against a backdrop of an extremely turbulent macroeconomic environment. I will discuss how this was achieved with Adam Arnott, Sales Director and Daryl Newlands, Head of Marketing.”

**GRAEME**

13.9% revenue growth was a record for the Group, what were the key highlights?

ADAM

We delivered strong, targeted growth throughout the year by focusing on our core commercial strategy. Our strategies focus on our strongest product segments within the bakery category. This has delivered strong growth in celebration cake, whole cake, small cake, artisan bread and the wellness product areas. We also focus on our channel strategies where we have benefited from the shopper returning to the out-of-home channel and our food-to-go products that feature in the successful meal deal offer.

GRAEME

With input price inflation at record levels in FY22, how did the commercial teams manage this situation?

ADAM

Inflation has been a huge pressure in the past year, not only do we have strong pricing power with the range of products we supply, we also have fantastic customer relationships which we were able to work collaboratively with through these difficult times. It was key to be open and share the inflationary market conditions with our customers; the only way to be successful was full

transparency. The successful suppliers during these tough times were also able to offer strong mitigation plans to help the customers have a balanced recovery plan.

GRAEME

Our partnership with Lightbody Europe went from strength to strength this year, how did we support this growth?

DARYL

Our growth with our Lightbody Europe business has been driven primarily through our strong licensed partnership success as well as supporting the team with on-trend product innovation. We have established a core range of products that give us a point of difference in the European markets that we trade within. Our portfolio of licenses, which are globally recognised, and our on-trend new product development has allowed our European colleagues to develop a unique product offering that meets an ever-increasing demand for both themed celebration cakes and premium small cake formats. This has been the catalyst behind the growth we have seen in the last 12 months.

GRAEME

New product development plays such a key role in our growth both in retailer own brand and our license brand portfolio, how have we managed this process?

DARYL

Our approach to new product development is very much aligned to our category and consumer strategies in order to deliver the right offering across our multi-channel customer partnerships. The investment and time put into this process allows us to develop products that meet most product segment and usage occasions within our categories. Having a forward view on how we approach new product development is key to our business performance and how we develop our capability and processes alike. Like every business, we haven't always got it right, however we have always ensured we have taken the right approach to what we launch, and we have seen some real successes in the last year.

GRAEME

As the macroeconomic environment becomes even more difficult how do we plan to continue our path to profitable growth?

ADAM

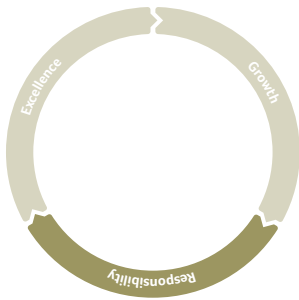
The macroeconomic environmental challenges we have seen over recent times will continue to be a challenge in the medium term. The knock-on effect of this has been price inflation which will continue to be driven by the accumulation of these factors, plus new government regulations (HFSS) will make our market conditions even more challenging. We continue to look for routes to mitigate these and provide the lowest cost solutions for our customers and consumers. One approach to the new regulation of HFSS is the development of a new brand and product range that meets the guidelines this new regulation brings. We believe our strong customer partnership positions us well to mitigate the strong headwinds we face as a Group.



In summary the consistency of our commercial strategy means we will stay laser focused on growth. We will utilise our Group scale to deliver our channel growth plans in retail and out-of-home bakery markets. Efficiency in our ways of working will enable Finsbury Food Group to navigate the macroeconomic storm, and with the support of our brilliant people, we will maximise all the growth potential in our markets.



Responsibility

Championing
Responsibility

Diversity and Inclusion (D&I) is increasingly high profile. Environmental, Social and Governance (ESG) investing is gathering momentum.

Investors and Millennials/Gen Z are making ESG central to their investment approach, choosing to invest in companies that reflect their values and positively impact the planet and society.

The 'Social' element of ESG incorporates 'Employee Relations and Diversity' as a key pillar and companies are increasingly expected to have a comprehensive D&I strategy.

The Covid-19 crisis has also accelerated employee, and prospective employee, expectations in terms of employers demonstrating a more empathic and inclusive approach than previously. D&I therefore now has a strong influence upon employer branding and business success and should form a key part of the business and people strategy. UK legislation continues to focus upon this area with the introduction of Gender Pay Gap Reporting and the voluntary gender diversity target for Boards of FTSE 100 firms.

INITIATE

We implemented a series of initiatives to raise awareness and understanding of D&I, which included the launch of a new Diversity and Inclusion policy

which set out our position in relation to D&I and clearly outlined what both the business and colleagues should expect from one another.

TRAIN

Training was rolled out across the business for all colleagues to provide a base level of understanding and awareness of D&I and reinforce the key role that our colleagues play in delivering this. More comprehensive training was also provided for leaders.

CONNECT

We joined the GroceryAid Diversity and Inclusion Programme in order to connect with other businesses across our industry and share learnings regarding best practice.

We launched a series of D&I campaigns across the business, including International Women's Day, Pride and World Cultural Diversity Day in order to engage colleagues in the D&I agenda.





TempusNovo
NEW TIME



job oppo
WE HAVE YOUR BACK

EXPLORE

We explored new and diverse resourcing channels including initiating partnerships with Tempus Novo, who specialise in securing employment for ex and current offenders, and JobOppo who work with veterans.



TRANSFORM

We are still relatively early on in our D&I journey, however we have established a firm foundation upon which to build.

ENGAGE

It is our anticipation that our internal campaigns, which have received positive engagement to date, will continue to gather momentum and drive increased engagement across the organisation.

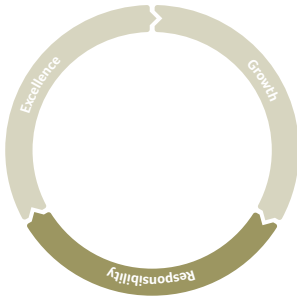
ATTRACT

Our successful partnership with Tempus Novo has resulted in us securing employment for a number of current/ex-offenders at our Fletchers site, which has led us to now extend this to include other sites across the Group.

As we accelerate the building of our employer brand in the external market this year, D&I will play an increasingly important role in the attraction of diverse talent to our organisation in order to further strengthen our competitive advantage.



Responsibility

Embracing
ResponsibilityWASTE MANAGEMENT
CHALLENGE

Across our manufacturing sites we recognise that there is a need to be a responsible manufacturer.

Through FY22 we have been working with our purchasing teams, operational teams and waste management partners to understand where within our business waste is generated, how we can control and reduce the amount produced and how we can increase recycling rates where waste needs to be disposed.



ACTION

In order to reduce the amount of waste we generate, our Operating Brilliance Programme (OBP) teams across our Group have looked at how we reduce waste from our manufacturing process and this continues to be a focus across the business.

This has led to the creation of manufacturing standard processes which is helping to reduce the amount of waste produced.

Through FY22 we have continued working with our waste management specialist contractor to understand the waste we generate and where possible we have continued to move away from dry-mixed recycling to single waste stream segregation. This ensures that we can maximise the potential recyclability of waste produced and reduce the amount of waste going for energy recovery.

During the course of the last year we have introduced a number of waste management pods at a number of our factories in order to simplify the management of waste in our factories. These have been supported by our food waste management contractor, which means that we are now able to allocate the amount of food waste being produced to specific production lines within our factories.



85%

The actions across all sites has resulted in our waste recycling rates increasing to 85% in FY22.

Again, this allows us to apply our OBP process to reduce the amount of food waste being produced.

To drive better understanding and support for waste management we piloted a waste management modular training course at our Lightbody site that is aimed at all our team members. This course takes place over five modules and explains the reasons for waste management, how we approach waste management within the Group and the comparisons with the approach of waste management in our team members' personal life. Feedback from this course has been positive and will be rolled out across the rest of the bakeries within the Group.

We also recognise that to support all of the above we needed to have clear, unambiguous measures and meetings to drive improvement. In FY22 we introduced a clear Meeting, Analysis and Reporting Arrangement (MARA) process across the whole Group that looks at the amount of waste being generated by each site and the amount of waste being recycled (including and excluding food waste). This data is shared on a monthly basis and discussed at a number of meetings and forums within the Group. This ensures progress on initiatives to reduce waste is tracked, best practice is shared and corrective actions are undertaken.

IMPACT

The actions across all sites has resulted in our waste recycling rates increasing to 85% in FY22 and we continue to be certified 'zero to landfill' across the Group for another year.

Waste management is a clear priority with our sustainable approach strategic plan, with clear KPIs and actions required by all parts of the Group. This will continue to be monitored through FY23 and will be supported by the creation of the Sustainability Forum that will focus on waste management and other sustainability topics.

ENERGY MANAGEMENT CHALLENGE

One of our most significant impacts on the environment is the energy we use at our bakeries.

Our sustainability strategy focuses on the areas where we can make the biggest difference; in 2021 we strengthened our commitments on climate change, by announcing an ambitious 2035 target to reduce our carbon emissions from our own operations which follows the Science Based Targets initiative (SBTi) approach.



ACTION

In order to make significant improvements in energy usage we knew we needed better data to allow us to measure, manage and reduce.

We invested in an energy management system (ClearVUE) across our business to allow us to better understand our energy use. All our UK facilities now have detailed sub-metering of energy consumption, with the ability to drill down into deep analytics for different assets and locations.

The energy management system takes the information from key energy assets and converts the data into graph form to be more easily analysed, interpreted and understood.



IMPACT

Over the past year, the system has been used to monitor and drive improvements. The ability to monitor our energy use at the asset level in 15-minute intervals gives insightful data and understanding of our process. We can then use the data to identify improvements in performance, eliminating waste and reducing energy costs.

Our ClearVUE super users have been able to identify the peaks and troughs of energy consumption. The ability to provide historical data has also been beneficial, allowing the business to spot patterns, trends, or anomalies, helping us plan differently. It has been particularly useful in understanding our start-up and shutdown procedures and has helped us identify ways to improve efficiency and productivity.

The wealth of data the system provides has enabled us to plan future cost-avoidance projects with greater accuracy in predicting savings and the ability to verify results of energy projects.

The ability to understand our energy consumption, by asset, by area and by hour has allowed us to involve more of our colleagues in energy management. It is clear that if we are to achieve our ambitious carbon reduction targets then we need to have everyone involved. Having this energy system has led to increased engagement across the business, improved interaction from the sites and is helping to generate energy saving ideas from the bottom up.

We strongly believe that significant progress on energy reduction will only be achieved through the involvement of every one of our people at Finsbury and having the right data is key.

Key Performance Indicators

Key Performance Indicators
Financial

KPI Measure	Why Measure?	FY22 Performance	Link to Strategic Pillar										
Sales Growth % <table border="1"> <tr><td>2022</td><td>+13.9%</td></tr> <tr><td>2021</td><td>2.3%</td></tr> <tr><td>2020</td><td>-2.8%</td></tr> <tr><td>2019</td><td>3.8%</td></tr> <tr><td>2018</td><td>-3.4%</td></tr> </table>	2022	+13.9%	2021	2.3%	2020	-2.8%	2019	3.8%	2018	-3.4%	The Group considers revenue performance central to our Strategic Pillar of Growth.	Ongoing recovery, volume gains and price increases impacting on year on year performance.	Growth
2022	+13.9%												
2021	2.3%												
2020	-2.8%												
2019	3.8%												
2018	-3.4%												
Adjusted Operating Profit % <table border="1"> <tr><td>2022</td><td>5.0%</td></tr> <tr><td>2021</td><td>5.1%</td></tr> <tr><td>2020</td><td>4.9%</td></tr> <tr><td>2019</td><td>5.3%</td></tr> <tr><td>2018</td><td>5.9%</td></tr> </table>	2022	5.0%	2021	5.1%	2020	4.9%	2019	5.3%	2018	5.9%	Measures the underlying performance and relative to revenue.	A slight decrease in the margin as a result of the unprecedented inflation and challenging market conditions. The level achieved reflects the ability to navigate the challenges and the results of our Operating Brilliance Programme.	Excellence Growth
2022	5.0%												
2021	5.1%												
2020	4.9%												
2019	5.3%												
2018	5.9%												
Adjusted Diluted EPS <table border="1"> <tr><td>2022</td><td>10.1p</td></tr> <tr><td>2021</td><td>8.6p</td></tr> <tr><td>2020</td><td>7.7p</td></tr> <tr><td>2019</td><td>9.0p</td></tr> <tr><td>2018</td><td>9.8p</td></tr> </table>	2022	10.1p	2021	8.6p	2020	7.7p	2019	9.0p	2018	9.8p	Adjusted diluted EPS measures as a measure of the underlying performance of the Group and the returns generated per share taking into consideration of dilutive impact of share options.	A growth in EPS reflects a growth in the operating profit level.	Excellence Growth
2022	10.1p												
2021	8.6p												
2020	7.7p												
2019	9.0p												
2018	9.8p												
Adjusted EBITDA <table border="1"> <tr><td>2022</td><td>£28.7m</td></tr> <tr><td>2021</td><td>£26.9m</td></tr> <tr><td>2020</td><td>£26.2m</td></tr> <tr><td>2019</td><td>£25.5m</td></tr> <tr><td>2018</td><td>£25.6m</td></tr> </table>	2022	£28.7m	2021	£26.9m	2020	£26.2m	2019	£25.5m	2018	£25.6m	Measures the absolute underlying performance.	The level achieved reflects the ability to navigate the challenges and the results of our Operating Brilliance Programme.	Excellence Growth
2022	£28.7m												
2021	£26.9m												
2020	£26.2m												
2019	£25.5m												
2018	£25.6m												
Debt to Adjusted EBITDA <table border="1"> <tr><td>2022</td><td>0.7</td></tr> <tr><td>2021</td><td>0.5</td></tr> <tr><td>2020</td><td>1.1</td></tr> <tr><td>2019</td><td>1.4</td></tr> <tr><td>2018</td><td>0.6</td></tr> </table>	2022	0.7	2021	0.5	2020	1.1	2019	1.4	2018	0.6	Debt to EBITDA is a covenant test and demonstrates our headroom against our banking covenants (max 3.0x).	Increase in EBITDA and an increase in debt levels as dividends are reinstated, capital expenditure is almost double the FY21 level and an increase in our shareholding of Lightbody-Stretz Limited. Debt:EBITDA is sub 1.0 times thereby allowing us to achieve the lowest facility margin levels.	Excellence Growth
2022	0.7												
2021	0.5												
2020	1.1												
2019	1.4												
2018	0.6												
Return on Capital Employed (ROCE) <table border="1"> <tr><td>2022</td><td>12.1%</td></tr> <tr><td>2021</td><td>11.4%</td></tr> <tr><td>2020</td><td>9.6%</td></tr> <tr><td>2019</td><td>10.8%</td></tr> <tr><td>2018</td><td>13.3%</td></tr> </table>	2022	12.1%	2021	11.4%	2020	9.6%	2019	10.8%	2018	13.3%	A key measure to determine performance of assets.	Increased ROCE reflecting the increase in EBITDA levels.	Excellence Growth
2022	12.1%												
2021	11.4%												
2020	9.6%												
2019	10.8%												
2018	13.3%												

Key Performance Indicators Non-Financial

KPI Measure	Why Measure?	FY22 Performance	Link to Strategic Pillar										
<h3>Revenue £k per Employee</h3> <table border="1"> <tr><td>2022</td><td>110</td></tr> <tr><td>2021</td><td>98</td></tr> <tr><td>2020</td><td>96</td></tr> <tr><td>2019</td><td>103</td></tr> <tr><td>2018</td><td>102</td></tr> </table>	2022	110	2021	98	2020	96	2019	103	2018	102	The revenue per employee ratio is important for determining the efficiency and productivity per employee of a company.	Increase in revenue per employee as we reach record levels of sales for the year.	Excellence Growth
2022	110												
2021	98												
2020	96												
2019	103												
2018	102												
<h3>Complaints per Million Units Performance</h3> <table border="1"> <tr><td>2022</td><td>11.5</td></tr> <tr><td>2021</td><td>16.6</td></tr> <tr><td>2020</td><td>17.1</td></tr> <tr><td>2019</td><td>18.9</td></tr> <tr><td>2018</td><td>20.0</td></tr> </table>	2022	11.5	2021	16.6	2020	17.1	2019	18.9	2018	20.0	Indicator of quality and continuous improvements.	Lower complaints reflecting our investment in systems and continuing our Operating Brilliance Programme journey.	Responsibility Excellence
2022	11.5												
2021	16.6												
2020	17.1												
2019	18.9												
2018	20.0												
<h3>Number of Accidents per 100,000 Hours Worked</h3> <table border="1"> <tr><td>2022</td><td>3.5</td></tr> <tr><td>2021</td><td>3.5</td></tr> <tr><td>2020</td><td>4.1</td></tr> </table>	2022	3.5	2021	3.5	2020	4.1	A measurement of how well our HomeSafe culture is being embraced by our employees.	Continuing to drive our health and safety performance forwards through engaging our teams in behavioural safety initiatives as part of our HomeSafe programme to achieve a healthy and safe workplace.	Responsibility				
2022	3.5												
2021	3.5												
2020	4.1												
<h3>CO₂ Emissions</h3> <table border="1"> <tr><td>2022</td><td>0.11</td></tr> <tr><td>2021</td><td>0.17</td></tr> <tr><td>2020</td><td>0.18</td></tr> </table>	2022	0.11	2021	0.17	2020	0.18	A measurement to help monitor our impact on the environment.	We are working on a number of initiatives and have dedicated resource to reduce our impact on the environment.	Responsibility				
2022	0.11												
2021	0.17												
2020	0.18												

Risk Report

The Directors recognise the need for a healthy system of internal controls and risk management. We have identified the following as the principal risks and uncertainties the Group faces.

Principle Risks and Uncertainties

Risk management is regarded as essential to achieve the Group’s strategic and operational objectives. An annual, formal review of risks is carried out as an integral part of our strategic planning process.

Each business updates its risk register and the registers are presented to the Audit Committee together with mitigating actions. Following a preliminary recommendation by the Audit Committee, the Board reviews the highest risk items for the Group and the mitigations.

The following information describes the risks considered material, how they have evolved year on year and the principal mitigating actions.

Priority Rating Post-Mitigation



External

01 Cyber Security

Movement in year

Principle Risk

- The exposure to random and malicious attacks from Cyber criminals always exists. Protecting key information assets is of critical importance.

Mitigation

The following actions are in place to manage this risk and are supported by software solution (i.e. antivirus software and anti-phishing software).

- Training and awareness of the Group’s IT Acceptable Usage Policy.
- Reviews with software and service providers take place.
- Use of the latest versions of scanning and monitoring Cyber-security software.
- Preparation of crisis and continuity plans.
- Vendor risk assessment questionnaire completion with key suppliers.



Commentary

Enhanced mitigations offsetting increased risks.

02 Government Legislation

Movement in year

Principle Risk

- The proposed legislation to be introduced in October 2023 around high in saturated fat, salt and sugar (HFSS) could have a detrimental impact on demand.

Mitigation

- Early engagement of development teams internally and collaboration with customers to ensure products meet legislative requirements and appeal to consumers.



Commentary

A delayed introduction of HFSS and early engagement will be the key to compliance and to ensure our product offering remains appealing.

Operational

03 Health and Safety

 Movement in year**Principle Risk**

- Injury to employees remains an ongoing risk with potentially significant consequences.
- The global pandemic introduces risk in many ways notably risk to the health and wellbeing of our employees.

Mitigation

- Existing Risk Management Steering Committee with oversight of a number of strategic processes and procedures.
- The culture change programme involves multi-disciplinary teams to develop actions to deliver the programme.
- The H&S Committee is continuing to embed a HomeSafe Every Day strategy.
- Leading metrics such as compliance to audit schedules and actions completed will become key indicators of HSE performance.
- Induction and training programmes underpinned by our Operating Principle, People Who Care.
- Regular Board reviews and site visits.

**Commentary**

An area of continued focus and development.

04 Business Interruption or Fire

 Movement in year**Principle Risk**

- Risk of serious injury and loss of production capacity.
- An increased number of large-scale losses in the bakery sector has resulted in increases in insurance premium costs and a restriction in affordable capacity.

Mitigation

- Existing Risk Management Steering Committee with a number of strategic initiatives and related processes and procedures. Continued focus on preventative measures to reduce risk including regular fire audits.

**Commentary**

Continued focus on preventative measures to reduce risk.

Financial

05 Pension Deficit



Movement in year

Principle Risk

- Changes in inflation, investment performance and demographics (life expectancy) leads to a larger deficit requiring increased Company contributions.

Mitigation

- Fiduciary Management Investment approach adopted which enables Scheme trustees to execute their long-term strategies efficiently and target better outcomes.
- Appointed Professional Company Trustee to challenge approach and to bring knowledge from experiences with many other clients.
- The Company entered into an Asset Backed Contribution (ABC) arrangement on 18 May 2022 to improve the funding of the Scheme.

**Commentary**

Deficit driven by factors largely outside of the control of the Company. An Asset Backed Contribution scheme was introduced during the year to improve the long-term funding position.

06 Commodity and Labour Costs and Availability Pressures



Movement in year

Principle Risk

- Global commodity inflation.
- Continuing increases in the National Living Wage.
- The risk associated with Brexit leaves legacy exposures in the seemingly ad hoc enforcement of the import and export rules and regulations. The post-Brexit period sees risks in the availability of labour as the Group relies on agency labour for seasonality demand, quite often sourced from Europe.

Mitigation

- Tight control of costs and mitigation where possible through price and product engineering.
- Continued programme of Operating Brilliance, aided by a suite of best-in-class business systems and increased efficiencies, to optimise our business operations is driving significant operational efficiency across the Group.
- Capital investment has been targeted at automation and operational efficiency.
- Leverage economies of scale from the enlarged group, including Group Purchasing strategy.
- Our business forums have continued to mature over the past 12 months and reach across operations, supply chain and commercial. They are allowing delivery of initiatives which allow leverage of Group scale.
- People strategy focused on staff retention by upskilling of workforce and retention of permanent staff and less reliance on agency staff, whilst forging solid working relationships with agencies.

**Commentary**

Our continued investment and focus on the deployment of our OBP is key to our operational efficiency.

07 Recession

NEW

Principle Risk

- Recession can adversely impact revenue of a business as consumers reduce spending.

Mitigation

- We will continue to work collaboratively with our partners to drive growth in our key markets, leveraging our category marketing expertise, implementing consumer-led growth strategies across our categories.
- Strategic partnership and product development is also a key future focus as we increase capacity and capability in two strategically important category areas of buns and rolls and celebration cake.

08 Geo-Political

NEW

Principle Risk

- Prolonged period of uncertainty, owing to economic environment and political disruption, could expose the Group to risks securing supplies of key ingredients and labour.

Mitigation

- We have utilised our strategic supply relationships to manage the impacts of inflationary pressures whilst maintaining a focus on longer-term growth strategic objectives.
- Constant dialogue with our supply partners is necessary in order to deliver commercial arrangements in volatile situations.



Commentary

The clarity of our strategy and the resilience of our business model means the Company is well positioned for continued growth.



Commentary

Our agile management of the evolving macroeconomic situation allows us to continue to deliver against our strategic objectives.

Financial Review

Group revenue to 2 July 2022 is £356.8 million, 13.9% higher than last year. The growth in revenue is the result of volume uplift of 8.7% and price uplift of 5.2%. The recovery of foodservice is driving much of this growth with a 38% increase year on year uplift, while retail revenues remain positive.

Sales from our overseas division increased by 27% year on year driven by a strong cake performance in the large French retailers. Group adjusted operating profit at £17.8 million is up 10.6% on last year. Despite the unprecedented inflationary pressures and challenging macro environment, the Group has increased both revenue and operating profit. Adjusted operating profit margins are 5.0% (2021: 5.1%), a consequence of the continuing success of our Operating Brilliance Programme partially mitigating the extraordinary challenges.

Dividend

The dividend was reinstated during the year. For the full year to 26 June 2021, a dividend of 2.40p per share was paid on 21 December 2021 to shareholders on the register at the close of business on 26 November 2021.

An interim dividend for the year ending 2 July 2022 of 0.83p per share (2021: nil) was paid on 21 April 2022 to shareholders on the register at the close of business on 25 March 2022.

The Board of Directors is recommending a final dividend for the year ending 2 July 2022 of 1.67p

per share, taking the full year dividend to 2.50p per share (2021: 2.40p). The final dividend will be paid on 21 December 2022 to shareholders on the register at the close of business on 25 November 2022. The election deadline for participants in the Company's Dividend Re-Investment Plan will be 30 November 2022.

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.

53 week period ended 2 July 2022

	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	356,808	-	-	-	-	356,808
Cost of sales	(241,183)	-	-	-	-	(241,183)
Gross profit	115,625	-	-	-	-	115,625
Other costs excluding depreciation and amortisation	(86,878)	(1,898)	417	(821)	-	(89,180)
EBITDA	28,747	(1,898)	417	(821)	-	26,445
Depreciation and amortisation	(10,940)	-	-	-	-	(10,940)
Operating profit	17,807	(1,898)	417	(821)	-	15,505
Finance income	-	-	-	-	-	-
Finance costs	(851)	-	(285)	(18)	(54)	(1,208)
Profit before tax	16,956	(1,898)	132	(839)	(54)	14,297
Taxation	(3,050)	198	(33)	166	10	(2,709)
Profit for the year	13,906	(1,700)	99	(673)	(44)	11,588

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

Other Significant and Non-Recurring Items

Significant non-recurring cost of 1.9 million relates to acquisition costs for both successful and aborted transactions of £1.6 million, litigation and legal fees of £0.9 million, asset disposals of £0.2 million offset by the release of provisions for onerous leases and factory closure costs of £0.8 million. All items have been excluded from operating profit in the table below to better reflect the ongoing trading position.

Earnings Per Share (EPS)

EPS comparatives to the prior year can be distorted by significant non-recurring items and other items 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 10.1p (2021: 8.6p).

	2022	2021
Basic EPS	8.4p	9.8p
Adjusted basic EPS	10.8p	9.1p
Diluted ^{*2} basic EPS	7.9p	9.3p
Adjusted^{*1} diluted^{*2} EPS	10.1p	8.6p

*1 Further details on adjustments can be found in Note 9.

*2 Diluted EPS takes basic EPS and incorporates the dilutive effect of share options.

Cash Flow

Cash generated from operating activities increased to £28.7 million. Increased working capital of £2.5 million driven by the growth in the business reduced this to £26.2 million. Interest paid totals £0.7 million. Taxation at £2.0 million (2021: £3.9 million) is lower than 2021 attributable to the benefit of capital super allowances. Cash out flows relating to SNRs (Note 4) cost £2.3 million and should be considered as one off in nature.

The resulting net cash from operating activities is £21.3 million which finances a doubling of spend on capital investment (£12.5 million) and an acquisition outflow of £6.1 million (of £7.1 million) as the Company increased its stake in Lighbody-Stretz Limited by 35% to 85%. The cash flows associated with dividend are £4.0 million relating to the 2.4pps 2021 full and final dividend paid in December 2021, £3.0 million and £1.0 million for the interim dividend for 2022 paid April 2022 (0.83pps).

Debt and Bank Facilities

The Group's total net debt is £20.6 million (2021: £13.1 million), up £7.5 million from the prior year, for the reasons given above.

The Group recognises the inherent risk from interest rate rises, and uses interest rate swaps to mitigate these risks. During the year the Group had 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 Group entered into a forward dating swap commencing 3 July 2022 to 10 June 2027 with a coverage of £10.0 million fixed at a rate of 2.589%. At the year end date the total balance of swaps was £20.0 million (2021: £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 average base rate at 0.60% and LIBOR at 0.263%, was 1.8% (2021: base rate 0.10% and LIBOR at 0.052%, was 2.0%).

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 53 weeks to 2 July 2022 was 48.6 (2021: 27.2); minimum cover required is 4.0 times. Net bank debt to EBITDA (based on adjusted EBITDA) for the 53 weeks to 2 July 2022 was 0.7 (2021: 0.5); maximum level required under our new banking facility is 3.0 times.

Taxation

The Group taxation charge for the year was £2.7 million (2021: £3.4 million). The effective rate of tax on profits before significant and non-recurring and other items is 18.9% (2021: 19.8%). 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 34 and 35.

The Strategic Report was approved by the Board of Directors on 23 September 2022 and was signed on its behalf by:

Stephen Boyd
Director

Corporate Governance Chairman's Introduction to Governance

As Chairman of the Board, it is my responsibility to ensure that the Group has both effective corporate governance and Board leadership. The Company has adopted the Quoted Companies Alliance Corporate Governance Code (the 'QCA Code') and this report follows the structure of these guidelines and explains how we have applied the guidance. The Board considers that the Group complies with the QCA Code.

The Board

The Board believes that corporate governance is more than just a set of guidelines; rather it is a framework which underpins the core values for running the business in which we all believe, including a commitment to open and transparent communications with stakeholders. We believe that good corporate governance improves performance while reducing or mitigating risks.

During the year under review, the business emerged from the Covid-19 pandemic restrictions but was then faced with the sharp deterioration in the macroeconomic climate due to a convergence of multiple negative influences including the war in Ukraine and its impact on commodity availability and energy prices. We continue to face ongoing global supply chain pressures, labour shortages and the inflationary impacts of all these factors.

While the war in Ukraine created a shock event, the business has over recent years significantly developed and constantly improves its risk identification process which includes the appropriate governance environment, and management and mitigation strategies, supported with the necessary resources. This puts the Company in the best possible position to address these challenges as and when they arise, as well as managing normal business risks. The Company has continued to steadfastly adhere to its Operating Principles throughout the period and these have provided a valuable anchor to the business as well as a framework within which to develop its future strategies.

As with the challenges the business faced with the arrival of the Covid-19 pandemic, and with the full support of the Board lending its expertise, experience and insight, the Executive has once again led the Finsbury team through an incredibly difficult period. This while increasing the resilience and efficiency of the business with initiatives that include leveraging our integrated information systems with advanced data contained therein, leveraging our size through enhanced centralisation and focusing on engaging with our stakeholders.

The Board recognises that while the business, like so many others, has faced an extraordinary period of challenge on multiple fronts, there is a silver lining in that it has developed a business and a team with the sort of experience and resilience that you cannot teach in a classroom. This has, the Board believes, resulted in a more modern, efficient, integrated Finsbury with an outstanding management team and a modern infrastructure on which to build.

Peter Baker

Non-Executive Chairman



The Board recognises that while the business, like so many others, has faced an extraordinary period of challenge on multiple fronts, there is a silver lining in that it has developed a business and a team with the sort of experience and resilience that you cannot teach in a classroom.

Report on Corporate Governance

QCA Principles

1. Establish a strategy and business model which promote long-term value for shareholders

The Group's vision is to be the UK's most innovative speciality bakery group, providing differentiation for our customers. Our business model, and the Finsbury 'recipe for growth' Operating Principles by which we manage our business, are shown on pages 15 to 16. Our strategy and markets are explained in detail in our Strategic Report on pages 2 to 41.

The creation of our Strategic plans (which are prepared on a rolling three-year basis) is an extensive process bringing together market intelligence, customer feedback, supply chain management, risk, and financial and operational considerations. The process is refined and enhanced year on year and the Board is formally updated and consulted at key stages in the process prior to presentation of the strategic plan for formal approval along with the related budget.

2. Seek to understand and meet shareholder needs and expectations

Relationships with our shareholders are important to us and we seek to provide effective communications through our Interim and Annual Reports along with Regulatory News Service announcements. We also use the Company's website, www.finsburyfoods.co.uk, for both financial and general news relevant to shareholders.

The Executive Directors meet shareholders and other investors/potential investors at investor roadshows following the release of the Company's interim and final results. During the Covid-19 pandemic, to assist engagement with its smaller and retail shareholder base, the Company instigated "open house" results roadshow presentations through the Investor Meet Company platform (www.investormeetcompany.com) which all shareholders and interested parties were welcome to attend. The Company intends to continue with these roadshows for the foreseeable future. Questions and comments can be submitted through the platform. The Non-Executive Directors are also in contact with shareholders as needed in relation to matters such as Executive remuneration.

The broker and NOMAD, Panmure Gordon, is briefed regularly and updates the Board during the year on shareholder sentiment and expectations.

The Annual General Meeting of the Company will once again be held in Cardiff and will be broadcast live (on the Investor Meet Company platform). The Board will be present, and shareholders will have an opportunity to submit questions in advance or raise them on the floor on the day.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Board considers that it has operated in full regard of its responsibilities under section 172 of the Companies Act 2006 as outlined in the Strategic Report on pages 24 to 25. The Group's purpose is widely understood and drives the decision making which aims to optimise the long-term value of the business.

Our continued success is owed to the talented people who work here, and employee engagement forms a major part of our Operating Principles. Everyone at Finsbury Food Group is a valued member of the team, and our aim is to help every individual achieve their full potential. We have a formal Equality, Diversity and Inclusion policy and offer equal opportunities regardless of race, gender, gender identity or reassignment, age, disability, religion or sexual orientation.

The Workplace platform continues to be a key part of the Group's Employee Engagement strategy where we communicate virtually on a Group basis or on particular topics with the appropriate teams. We can share news, ideas, knowledge and best practice, support wellbeing initiatives, gain feedback and recognise and applaud the achievements and talents of our people in real-time. This continues to be a highly beneficial tool, delivering multiple positive outcomes for the business. We conducted an Employee Engagement survey via Workplace in February 2022 following which we have shared the results with all colleagues. Sites and teams have reviewed their local results and are using this insight to collaboratively build plans to drive engagement further through the coming year.

The Group is focused on ensuring Finsbury remains an attractive place to work, and this year we have reviewed our offering to ensure that we remain competitive in wage terms, but also in a broader sense of providing a positive and ethical working culture. In addition to our focus on competitive pay across all employee levels, we have enhanced our offer around maternity/paternity/adoption leave policies and introduced a hybrid working policy. We also continue to ensure that we offer excellent opportunities for enhanced training and qualifications, and career progression.

Clearly, the health and safety of our workforce is our most important consideration. As well as ensuring operational measures to keep our people safe, we have continued our focus on team health and wellbeing, through a series of initiatives at site and Group levels. We now have trained mental health first aiders at all sites and a dedicated Health and Wellbeing group on Workplace with over 2,000 members which provides a platform for sharing inspiration, information and practical resources around mental, physical and financial health and wellbeing.

We believe our high level of team engagement makes us a more attractive employer in a competitive marketplace for talent and we look forward to continuing to drive our Employee Engagement agenda.

Another key element of our recipe for growth is to work for mutual benefit with our partners, including retail grocery and foodservice customers, all of whom benefit from tailored innovation and service. We consider being seen as a good business partner as critical to our long-term success. Inevitably, we have had to institute cost recovery strategies in response to the inflationary environment, but have been working closely with our customers to manage this process in a fair and transparent way.

Our key strategic suppliers are long term in nature and work in partnership with the Group on innovations in both product and service.

We believe an ethical supply chain is a sustainable one. Finsbury Food Group is a long-standing member of Sedex, an organisation for promoting improvement in responsible and ethical business practices in supply chains.

In line with our Sustainable Approach Operating Principle, we are focused on minimising our environmental impacts through minimising wastes of all kinds via our Operating Brilliance Programme, increasing energy and water efficiency and recycling. These topics are included within our business MARA (Meeting, Analysis and Reporting Arrangement) which ensures constant review and improvement. We have appointed a Group Energy and Sustainability Manager to help drive this agenda in a consistent way across the business and in line with our Environmental Management and Sustainability policy. More information on our work in this area is set out on pages 32 to 33.

Report on Corporate Governance/Continued

In many cases, our sites have been a significant local employer and community member for many years. We consider community acceptance to be an important element of our operating framework. Our businesses' local reputation can influence our ability to recruit and retain talent and create a mutually respectful operating environment. If we were to lose community support, this could manifest in various ways including planning objections and recruitment issues. We seek to retain the support of our local communities and support community initiatives by being a positive and considerate neighbour and supporting local initiatives by empowering each facility to choose one charity the employees want to support.

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board recognises the need for a robust system of internal controls and risk management. The assessment of risks and the development of strategies for dealing with these risks are achieved on an ongoing basis through the way in which the Group is controlled and managed internally.

During the year, the business appointed a Group Health, Safety, Environment and Risk Director. The GHSER Director is a member of the Group Executive Committee and reports to the Group Efficiency Improvement Director and indirectly to the Chief Executive, ensuring his remit has an appropriate high profile, with the resource and authority to drive the risk management agenda. The GHSER Director has been working in the business for the last five years developing the non-financial risk function, a key role during these uncertain times, and he has worked closely with the Audit Committee and Group Executive Committee (GEC) throughout that time. This appointment represented a further step in the Group's risk identification, understanding, management and mitigation processes and reflects the priority status accorded to it.

The Group Risk Process involves the identification of risks, assessment to determine the relative likelihood of them impacting the business, the potential severity of the impact and determination of what needs to be done to manage them effectively. Risk management is integral to the development of Group strategic plans and its ability to deliver on its strategic objectives.

The system of internal control is structured around an assessment of the various risks to the business and is designed to address those risks that the Board considers to be material, to safeguard assets against unauthorised use or disposition and to maintain proper accounting records which produce reliable financial and management information.

The key features of the Group's system of risk management and internal controls are as follows:

- Management structure with clearly defined responsibilities and authority limits;
- Comprehensive Delegated Authority policy;
- Group Risk Owners' Committee comprising subject matter experts from all key functions of the Group which enables peer review of individual risk owners' identification, mitigation and control measures and the strength of these controls and drives focus on risk mitigation strategies from a wider perspective;
- Group Risk Steering Committee comprising of CEO, Group Finance Director and members of the Group Executive Committee who oversee the risk identification process and challenge findings from the Group Risk Owners' Committee to ensure that the process remains robust and continually improves;
- Maintenance of a central Group-wide key risk register supported by site and function-specific registers;
- Risk simulation exercises such as cyber security testing;
- Development of business continuity plans to reroute certain product lines in the event of a line interruption through the use of specialised technology such as Optimity;
- Ongoing policy development, implementation and testing;
- A Group-wide ERP system (M3) with related applications that embeds processes and procedures implemented to control risk;
- Internal audit function reporting to the Audit Committee with a rolling programme of work and a remit beyond financial controls, encompassing policy adherence;
- A comprehensive system of reporting financial results to the Board;
- Key risk item focused reviews at Audit Committee, and where appropriate, Board level; and
- Oversight of key risks by the Audit Committee reporting back to the Board.

5. Maintain the Board as a well-functioning, balanced team led by the Chair

The Board is currently made up of two Executive Directors, the Chairman and three other independent Non-Executive Directors. Ray Duignan has served on the Board for nine years and accordingly, the Board undertook a formal review of Ray's status as an independent Non-Executive Director and concluded that he remains independent. This will be reassessed by the Board on an annual basis at least and Ray will be subject to annual re-election at the Annual General Meeting.

The Chairman is responsible for the leadership of the Board and ensuring its effectiveness in all aspects of its role. He is also responsible for creating the right Board dynamic and for ensuring that all important matters, in particular strategic decisions, receive adequate time and attention at Board meetings. The Executive Directors are responsible for the day-to-day running of the business and developing corporate strategy, while the Non-Executive Directors are tasked with constructively challenging the decisions of Executive management, contributing their knowledge and insights, and satisfying themselves that the systems of business risk management and internal financial controls are robust.

A calendar of meetings and principal matters to be discussed is agreed at the beginning of each year. Board papers are circulated one week before meetings, allowing time for full consideration and necessary clarifications before the meetings. Board meetings are open and constructive, with every Director participating fully. Meetings are held at operating sites on a rotating basis, enabling the Board to meet the site teams and to visit the bakeries. Pre-meetings and Board dinners are also held to enable broader discussion and development of effective Board relations, and the opportunity for the Non-Executive Directors to further develop relationships with site management and functional leads.

Report on Corporate Governance/Continued

The Board held five scheduled meetings during the year under review. Additional Board meetings are held throughout the year as required on an ad hoc basis. Attendance by individual Directors at Board and scheduled Committee meetings were as follows:

Director	Board Meetings (5 meetings)	Audit Committee (3 meetings)	Remuneration Committee (5 meetings)	Nominations Committee (3 meetings)
John Duffy	5	-	-	-
Steve Boyd	5	-	-	-
Peter Baker	5	-	-	3
Bob Beveridge	5	3	-	-
Ray Duignan	5	3	5	3
Marnie Millard	5	-	5	2

The Company's Non-Executive Directors are expected to commit between 15-18 days per year to the Company and the Chairman is expected to commit at least three days per month to the Company. Terms of reference for the Committees are published on the Group's website. The Committees have the necessary skills and knowledge to discharge their duties effectively.

6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Non-Executive Directors have both the breadth and depth of skills and experience to fulfil their roles. With the Executive team, the Board contains a broad range of relevant skills, experience and contacts which are deployed to the benefit of the Company. During the year, the Nominations Committee conducted a skills analysis of the Board to assist it with future appointments. Details of the Directors' individual experience and areas of expertise are outlined on pages 48 and 49.

The Nominations Committee is responsible for considering Board composition, including diversity issues and making appropriate recommendations. Diversity and gender balance will be taken into account in respect of any future Board appointments with the overriding objective of securing the right person for the role.

The Non-Executive Directors maintain ongoing communications with each other and Executives between formal meetings.

In addition to their general Board responsibilities, Non-Executive Directors are encouraged to be involved in specific workshops or meetings, in line with their individual areas of expertise.

The Audit Committee Chairman updates his technical and financial experience by attending workshops held by major accounting firms.

The Remuneration Committee utilises specialist remuneration consultants to provide advice in relation to remuneration policy decisions and the Board utilises specialist pension advisers to provide advice in relation to Group pension arrangements. The Remuneration Committee Chair also attends relevant sessions run by the remuneration consultants and others.

All Directors have access to the Company Secretary, who is responsible for ensuring that Board procedures are followed. If required, the Directors are entitled to take independent legal advice and if the Board is informed in advance, the cost of the advice will be reimbursed by the Group.

The Company is a member of the QCA, and all Directors have access to the QCA's publications, updates and events.

7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The Board evaluation exercise is designed and led by the Company Secretary, working closely with the Chairman of the Board. Anonymous questionnaires are used to promote disclosures with the results being collated and returned to the Board for consideration, discussion and action where appropriate. The areas covered are structure and skills, operating and meeting effectiveness, operating efficiency, quality of information and ongoing development.

A similar process is followed for the Audit and Remuneration Committees. Individual Director and Chairman reviews have been undertaken since the start of the financial year. All reviews sought feedback from other Directors to ensure a balanced approach. Where relevant, Board performance improvements are discussed throughout the year on an ad hoc basis.

The 2022 Board evaluation exercise was completed in June 2022. The average scores were all satisfactory, with the vast majority rated consistently good or excellent. Given the speed of external changes there was a feeling the Board could have usefully convened outside of the normal meeting routine to discuss particular matters, this will be discussed at a subsequent Board meeting. Following feedback from the 2021 evaluation exercise, the Nominations Committee has increased the formality of its operations with three formal meetings held during the year focusing on succession issues, skills mapping and diversity.

8. Promote a corporate culture that is based on ethical values and behaviour

As an innovative food business in a highly competitive market, our success depends crucially on people who care and are fully engaged to do their best for Finsbury. The values of Communication, Respect, Ownership, Honesty and Teamwork are integral to the corporate culture. The management of the Group and all bakeries is underpinned by the Operating Principles which are:

- Operating Excellence;
- Sustainable Approach;
- Quality and Innovations;
- Cost Effectiveness;
- Growth with Our Partners; and
- People Who Care.

Further information on our Operating Principles is set out on pages 15 to 16 and on our website.

Report on Corporate Governance/Continued

In addition to in-person communication and training, the Group uses Workplace to facilitate the promotion of the Group's culture and values, communication across the Group and sharing of ideas and best practice through all our sites and across all staff. "Shining Example" awards allow staff to nominate their colleagues for excellence in reflecting Finsbury values.

The Group hosts an annual conference which also seeks to promote the Group culture and values. Having enjoyed a successful online experience with the senior team through Workplace during the pandemic, the conference was again broadcast live online and recorded in October 2021, this time open to all permanent team members. This allowed teams to join live or catch up with presentations on demand. Feedback from attendees was very positive with open access being appreciated in particular. Accordingly, the Company intends to maintain the open access element to ensure maximum participation opportunities and take advantage of this key engagement opportunity. "Shining Example" winners from the previous year will be invited to join the conference live to further increase recognition and engagement from the team member population.

9. Maintain governance structures and processes that are fit for purpose and support good decision making by the Board

The Board reviews its corporate governance arrangements regularly and expects these to evolve over time.

The Board maintains a schedule of matters reserved for its decision, a full copy of which is available on the Corporate Governance page of the Company's website. These matters include:

- Strategy;
- Acquisition policy;
- Corporate governance;
- Risk management;
- Health and safety;
- Approval of major capital expenditure;
- Approval of annual budgets;
- Approval of Annual Reports; and
- Dividend recommendations and policy.

The Board delegates authority to three Committees to assist in meeting its business objectives while ensuring a sound system of internal control and risk management. The Committees meet independently of Board meetings.

Audit Committee

The Audit Committee has two members, Bob Beveridge (Chairman) and Ray Duignan. The Group Finance Director, other members of the finance team, the Internal Audit function and external auditors attend meetings by invitation. The Audit Committee's responsibilities include the review of the scope, results and effectiveness of the external audit, the review of half-year and annual Financial Statements, and the review of the Company's risk management and internal control systems. The Committee had three scheduled meetings during the year. A separate report of the Audit Committee's activities is outlined on pages 56 and 57.

Remuneration Committee

The report of the Remuneration Committee is set out on pages 58 to 62. The Remuneration Committee has two members, Marnie Millard (Chairman) and Ray Duignan. The Committee is responsible for setting the remuneration arrangements, including short-term bonus and long-term incentives, for Executive Directors as well as approving the remuneration principles for senior staff. The Committee had five scheduled meetings during the year.

Nominations Committee

The Nominations Committee has three members, Peter Baker (Chairman), Marnie Millard and Ray Duignan. The Nominations Committee considers succession planning, reviews the structure, size, skills, diversity and composition of the Board and nominates candidates to fill Board vacancies. The Committee met three times during the year under review, primarily to consider succession issues. Marnie Millard will assume the Chair of the Nominations Committee after the next Annual General Meeting.

M&A Committee

Peter Baker, John Duffy, Steve Boyd and Ray Duignan form the Board's M&A Committee and are responsible for the initial evaluation of potential M&A opportunities. This Committee is convened by the Chair and CEO on an ad hoc basis from time to time as necessary or desirable to respond to opportunities arising. The Committee is under the direction of, and reports to, the Board which is responsible for making any decisions concerning M&A.

Group Executive Committee

In addition to the Board Committees, the Company has a Group Executive Committee comprising the CEO and a team of senior Executives supporting him in the delivery of the strategy and running of the Company.

Report on Corporate Governance/Continued

10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Board maintains a general policy of keeping all interested parties informed by regular announcements and update statements. In doing this, we keep in mind the proportions of direct, nominee and institutional shareholders, and distribute communications between them accordingly. The Company retains a financial PR firm to assist it in ensuring that key messages reach the appropriate audiences.

Specific methods of communication with investors are:

- The Annual General Meeting;
- The Annual Report;
- Corporate website;
- Broker briefings;
- One-to-one meetings with investors; and
- Investor Meet Company online roadshow presentations.

The Board believes its shareholder communications to be healthy, effective and appropriate bearing in mind the composition of its shareholder register. The Annual General Meeting provides a forum for shareholders to air their views and ask questions. Meetings throughout the year with key institutional shareholders (by the Executive and Non-Executive Board members), Investor Meet Company roadshow meetings and feedback from the Company's broker help to ensure that the Board is kept up to date with shareholder sentiment on key issues and is able to take it into account where necessary and appropriate. The Company has also sought to provide a comprehensive website to educate and inform all interested parties about the Company's business, strategy and values.

To maintain our visibility and accessibility to a broader range of our shareholder base, we will continue to run an Investor Meet Company presentation as part of our full-year and interim results roadshows. Further details will be provided by RNS. This will enable any interested shareholders to join the roadshows and submit questions to the management. The AGM this year will again take place in Cardiff and be broadcast via webcast to enable shareholders to view proceedings remotely. Shareholders will be encouraged to vote by proxy whether or not they intend to be present. We are conscious that our AGM is held in the winter months with the possibility of increased risk from Covid-19 and other respiratory illnesses. Accordingly, while shareholders will (under current guidance) be able to attend in person, to minimise risk to attendees we will not be providing product samples and there will not be any informal mingling with the Board before or after the AGM. We would ask shareholders to refrain from attending if they are experiencing any Covid-19 symptoms. Full details of the AGM arrangements will be set out in the Notice of Annual General Meeting.

Shareholders with a specific query can contact us on finsbury@almapr.co.uk or for Company secretarial matters on company.secretary@finsburyfoods.co.uk.

Peter Baker

Non-Executive Chairman
23 September 2022

The Directors

The Board is made up of two Executive Directors, three independent Non-Executive Directors, and the Chairman, Peter Baker, who is also considered to be independent. These are the Directors who were in office during the year and up to the date of signing the Financial Statements. The matters overseen by the Board are detailed in section 9 of the Corporate Governance Report.



Peter Baker
Non-Executive
Chairman

Peter joined the Board on 1 July 2014 and is also Chairman of the Nominations Committee. Peter has over 30 years' senior CEO and Board level experience within the global bakery and consumer packaged goods industry. He chairs one other Board, is a Non-Executive Director and a Trustee of two charities. Peter held the position of Managing Director of Maple Leaf Bakery from 2009 to 2013, moving into this position after the sale of La Fornaia Bakeries, where he was the CEO. Prior to these roles, Peter held COO and Divisional Managing Director positions at RHM in the Consumer Brands, British Bakeries and Cereals Divisions (including Rank Hovis Mills). Peter was previously a Non-Executive Director at Jordan's Cereals, now a part of Associated British Foods.

He has also served as Vice President of CIAA now Food Drink Europe (a European trade association for food and drink) and was on the Executive Board of FDF, the UK Food and Drink Federation. Key areas of expertise are knowledge of the food industry, strategy, change management, leadership and corporate governance.



John Duffy
Chief Executive
Officer

John was appointed CEO of Finsbury Food Group with effect from 30 September 2009 to lead a turnaround of a then overleveraged and decentralised Group. Through a combination of strong organic growth, M&A activity, restructuring and investment it has been transformed into a broadly diversified speciality bakery Group with over £300.0 million of sales across both retail and out-of-home channels in the UK and Europe.

Following an engineering degree and initial career with Shell International, John completed a full-time MBA before pivoting into the food industry and enjoying 10 years in Director level manufacturing and logistics roles at MARS. This was followed by private equity experience as Operations Director at crisps and snacks manufacturer Golden Wonder and Managing Director of WT Foods' largest chilled foods subsidiary, Noon Products, before and after its sale to Kerry Foods. John has Non-Executive Director experience in both start-up and established businesses. Key areas of expertise are strong leadership and general management skills, operations and engineering experience, turnaround, change management and M&A.

The Directors/Continued



Stephen Boyd
Group Finance
Director

Steve was appointed Group Finance Director in January 2010. Steve has spent 25 years in the food manufacturing sector and previously was Group Finance Director at Golden Wonder. Subsequent to that he was Group Finance Director and Chief Operating Officer at WT Foods Group Plc. Steve worked with John Duffy at both Golden Wonder and WT Foods. Key areas of expertise are strong financial management and cost control, M&A, investor relations, financing, strong leadership and general management skills.



Raymond Duignan
Non-Executive
Director

Raymond was appointed to the Board in July 2013. He has extensive industry experience having set up a specialist investment bank, Stamford Partners, in the mid-1990s advising the European food and drink industries with clients including many blue chip companies. Key areas of expertise are strategy, finance and detailed knowledge of the European food and drink industry.



Marnie Millard
Non-Executive
Director

Marnie was appointed to the Board on 1 February 2016. From May 2013 to December 2020, Marnie was the Group Chief Executive of Nichols Plc, an AIM-listed branded soft drinks group serving both the UK retail and out-of-home channels, with international sales across 70 countries. Marnie worked in the soft drinks industry for over 20 years in a number of senior roles with Macaw Soft Drinks, Refresco Gerber Ltd and Vimto/Nichols. Marnie is the Non-Executive Chair of Marks Electrical Group plc, an AIM-listed online electrical goods retailer, and a Director of Kidly Limited, an online children's retailer, and UA92, an innovative university establishment in Manchester set up in collaboration with a group of well-known footballers to increase educational access opportunities. Marnie is Chairman of the Remuneration Committee. Key areas of expertise are sales and marketing, manufacturing, supply chain and international trade.



Bob Beveridge
Non-Executive
Director

Bob was appointed to the Board on 1 July 2017. He is a Chartered Accountant with extensive financial management, city and corporate transaction experience in consumer goods and technology companies, including Cable & Wireless Communications Plc, Marlborough Stirling Plc, and McBride Plc, a European private label manufacturer. For the last 10 years he has been a portfolio Independent Director and Audit Committee Chairman and is currently Senior Independent Director on the Board of Inspiration Healthcare Plc, Chairman of the Thames Valley Berkshire LEP and an independent Audit Committee member of The Health Foundation. He also provides mentoring services to aspiring and existing Finance Directors via the Institute of Chartered Accountants. He chairs the Audit Committee. Key areas of expertise are Board level financial skills, risk management, corporate governance, M&A and digital technology.

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 2 to 41.

Dividend

The dividend was reinstated during the year. For the full year to 26 June 2021 a dividend of 2.40p per share was paid on 21 December 2021 to shareholders on the register at the close of business on 26 November 2021.

An interim dividend for the year ending 2 July 2022 of 0.83p per share (2021: nil) was paid on 21 April 2022 to shareholders on the register at the close of business on 25 March 2022.

The Board of Directors is recommending a final dividend for the year ending 2 July 2022 of 1.67p per share, taking the full year dividend to 2.50p per share (2021: 2.40p). The final dividend will be paid on 21 December 2022 to shareholders on the register at the close of business on 25 November 2022. The election deadline for participants in the Company's Dividend Re-investment Plan will be 30 November 2022.

Directors and their Interests in the Company

The Directors and brief biographies are detailed on pages 48 and 49.

In accordance with the Articles of Association, Bob Beveridge and Marnie Millard retire by rotation and being eligible offer themselves for re-election at the Company's forthcoming AGM. In addition, as Ray Duignan has served on the board for the past nine years, he retires and offers himself up for re-election at the AGM and will do so annually from this year while he remains a Director of the Company. The Board conducted a formal assessment in 2022 and concluded that Ray remains independent.

The beneficial interests of the Directors in the ordinary shares of the Company on 2 July 2022 and 26 June 2021 are set out below:

Ordinary Shares	2 July 2022	26 June 2021
P Baker	96,817	96,817
R Beveridge	14,000	14,000
S A Boyd	1,280,057	1,195,543
J G Duffy	2,738,246	2,617,592
M J Millard	9,701	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 2 July 2022.

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 2 September 2022:

	Number of shares	% shareholding
Ruffer (London)	25,112,500	19.26
FIL Investment International (London)	13,346,766	10.24
Investec Wealth & Investment (London)	11,386,281	8.73
Premier Miton Investors (London)	8,489,675	6.51
Finsbury Food Group Plc Employee Benefit Trust (UK)	7,385,992	5.66
Janus Henderson Investors (London)	5,100,000	3.91
Interactive Investor (Glasgow)	4,907,922	3.76
Hargreaves Lansdown Asset Mgt (Bristol)	4,236,404	3.25
DBAY Advisors (Douglas)	4,025,000	3.09

Research and Development

Research and development (R&D) 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 2 July 2022. The data covers seven manufacturing sites in the UK.

UK Greenhouse Gas Emissions and Energy Use Data

	53 weeks ending 2 July 2022 kWh	52 weeks ending 26 June 2021 kWh
Energy consumption used to calculate emissions (kWh)		
Total Energy Consumption (kWh)	108,496,995	102,577,469
Energy consumption break down (kWh):		
Natural gas	70,078,064	69,487,690
Electricity	37,712,271	32,624,756
Transport	302,320	162,423
Diesel	404,340	149,094
LPG	-	153,506
	Tonnes CO₂e	Tonnes CO₂e
Scope 1 emissions in metric tonnes CO₂e		
Natural gas	12,767.52	12,747.99
Refrigerant emissions	344.30	497.37
Diesel	109.17	37.69
LPG	-	32.96
Company owned/leased vehicles	5.76	10.43
Scope 2 emissions in metric tonnes CO₂e		
Purchase of electricity	7,292.80	7,463.49
Scope 3 emissions in metric tonnes CO₂e		
Private vehicles on Company business	68.96	30.89
Total gross emissions in metric tonnes CO₂e	20,588.51	20,820.82
Intensity ratio tonnes CO₂e per tonne produced	0.17	0.19
Electricity purchased through supplier REGO cert.	7,292.80	2,160.00
Total net emissions in metric tonnes CO₂e	13,295.71	18,660.82
Intensity ratio tonnes CO₂e per tonne produced	0.11	0.17

Emission factors are based on Government published 2021 GHG conversion factors.

The actions taken to reduce our energy consumption is covered under our Responsibility Strategic Pillar on pages 22 to 23.

Directors' Report/Continued

Task Force for Climate-Related Financial Disclosure (TCFD)

The first mandatory period for reporting will be FY23. In preparation for this, below is a review of requirements and our current position. The proposal is to expand disclosures for the FY22 report.

Preparations for TCFD

Governance

Our approach to sustainability (including climate change) is monitored by the Group Executive Committee. A number of the Group Executive Committee are part of the Sustainability Forum and the activities of the Sustainability Forum are governed by the Group Operations Forum. Both the Sustainability Forum and the Operations Forum are comprised of a number of leaders across various areas of the business to ensure that this is not purely operationally focused but is driving improvement across the whole of the business.

The day-to-day management and coordination of activities in relation to climate change risk is carried out by the HSE and Risk Director.

To further support the direction of sustainability, a Group Energy and Sustainability Manager was introduced to the business in April 2022.

Strategy

In FY22 we introduced a clear 'Sustainable Approach' strategy that is linked to reducing the risk to the business due to the effects of climate change. The strategy was created in consultation with multiple stakeholders within the business and is passed to all bakeries within the organisation to assess their current status versus the to be status. All sites have built action plans in relation to the Sustainable Approach strategy. Progress on these plans will be monitored primarily via the Group Sustainability Forum (which meets four times a year).

Risk Management

The identification and management of environmental risk (including climate change) currently follows the Group risk-management process. A Risk Owners Group has been established, comprised of a number of subject matter experts who identify risks and opportunities, assess impact to the business and also ensure that emerging risks are considered which may impact the Group in the future.

The Group Risk Register has been adapted to identify risks that are likely to be, or are currently impacted by climate change.

The priority for the upcoming year will be to conduct climate change scenario modelling to understand the implications of climate change risk to ensure more proactive responses to extreme climate change events.

The outputs from this group are provided to the Group Risk Steering Committee and the Group Audit Committee.

Metrics and Targets

A number of metrics and targets have been established within the business in relation to climate change. We have undertaken an assessment using the principles of the Science Based Targets initiative and we aim to reduce our Scope 1 and Scope 2 targets by 58.8% by 2030 from a 2016 base year.

A further priority for next year will be starting to establish a Scope 3 baseline and target improvements.

Furthermore, we will be establishing a Suppliers Sustainability Forum to link and share best practice across our supply chain.

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.

A new bank facility was agreed in June 2022 of £60.0 million revolving credit facility provided by a club of three banks – HSBC, Barclays and RBS. The facility is available on a four plus one-year term until June 2027 and also includes scope for the facility to be increased by up to a further £60.0 million.

The main risks arising from the Group's financial instruments are interest rate risk 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 £60.0 million available of which £27.9 million was drawn at 2 July 2022 leaving a headroom of £32.1 million plus a cash balance of £7.4 million with a further approved accordion facility of £60.0 million. The interest rate risk is managed through interest rate swap transactions. The Group had two swaps mature during the year and has one forward-dated interest rate swap commencing 3 July 2022 maturing 10 June 2027 with a coverage of £10.0 million fixed at a rate of 2.589%. The counterparty to this transaction is HSBC Bank Plc.

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 £60.0 million RCF facility, the facility utilised at the balance sheet date was £27.9 million giving £32.1 million headroom plus a further £60.0 million accordion. Full details are given in Note 24.

Directors' Report/Continued

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 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 (2021: €4,000) were made. No political donations were made.

Going Concern

The Group has delivered a resilient trading performance and achieved record revenues against a continued challenging backdrop in an unprecedented period of inflation, political instability, a contracting UK economy and Ukraine conflict adversely impacting labour availability and input prices and supply. 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; forecast assumptions have been critically assessed and financial forecasts have been compared against historical performance to understand the movements. The Board, having reviewed the Group's short and medium-term plans and new financing arrangements from June 2022 to June 2027, 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 renewed facility and increase in headroom on the debt:EBITDA covenant test.

The Group has a €60.0 million revolving credit facility plus scope for the facility to be increased by up to a further €60.0 million, which are committed until June 2027. 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 have increased over the year by €7.5 million to €20.6 million, with a debt to adjusted EBITDA measure of 0.7x up from 0.5x at 26 June 2021 well within the 3.0x maximum.

Independent 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.

Disclosure of Information to Auditors

- 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 23 September 2022 and was signed on its behalf by:

Stephen Boyd
Director

The Group Executive Committee (GEC)

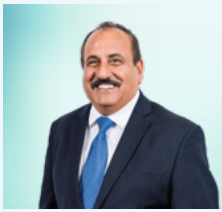
The Executive Directors are responsible for implementing and achieving the strategy through the day-to-day running of the business. They are supported by a team of Executives on the Group Executive Committee.

There have been a number of promotions into the Group Executive Committee during July 2022, Graeme Clark joins the team as Group Commercial Director and Steven Hill joins as Finance Director.



Ian Chree
Group Efficiency
Improvement
Director

Ian joined Finsbury Food Group in 2005. He now has 25 years' experience in the food industry as well as over 21 years' experience in process control in non-food manufacturing. Ian's first role in food was in engineering and operations for a prepared vegetable business, before moving to chilled high-care food manufacturing with Food Partners, where he was Managing Director.



Sat Hanspal
Group Purchasing
Director

Sat joined Memory Lane Cakes Limited in 1998 as a packaging buyer. Memory Lane was subsequently acquired by Finsbury Food Group and Sat progressed to his current position. After studying Chemical Engineering, Sat started his career with Cima Foods as a process controller. He moved to the purchasing side of the business looking after juice procurement and logistics. Cima was acquired by Princes Foods and during his 15 years with the Company, Sat progressed to Senior Buyer, before his move to Memory Lane.



Frances Swallow
Group Technical
Director

Frances joined Finsbury Food Group in October 2009. She has worked in the food industry for over 31 years, 21 of them at Technical Executive or Director level. Previous positions include senior roles at Greencore, Fresh-Pak, Geest Prepared Foods and United Biscuits in a range of operational, technical, manufacturing and engineering roles.



Jackie Kent
Group Human
Resources Director

Jackie joined Finsbury Food Group in 2015. She has over 22 years' experience in the food manufacturing sector. Before joining Finsbury, she was HR Director at Burton's Biscuit Company for a number of years and also worked in the meat processing sector. Her early roles were operational and HR positions within Rank Hovis McDougall, having completed their graduate programme. Jackie holds a BA Hons degree from the University of Leeds and a Diploma in Personnel Management as well as qualifications in occupational testing, coaching and mentoring.



Simon Staddon
Group Business
Development
Director

Simon joined Finsbury Food Group in 2005 as Managing Director of the Nicholas and Harris speciality bread business. Before this he was a Commercial Director at Greencore. This followed a long career at Unigate, having joined after graduating from Manchester University with a degree in Management Sciences. He held many roles within the St.Ivel division, including Sales Director. Simon has been Managing Director of Finsbury's bread business for the last five years before recently moving into the Business Development role.

The Group Executive Committee (GEC)/Continued

**Lucy Wills**Group Operations
Director

Lucy joined Finsbury Food Group in 2011. She has over 20 years' experience in the food manufacturing sector. Prior to joining Finsbury Lucy headed up Senoble UK's chilled desserts multi-site operation. Earlier career experience was within the sandwich manufacturing sector with Food Partners, where she held a range of supply chain and operational roles.

**Jon Cooper**Operations Director
Bread and Morning
Goods

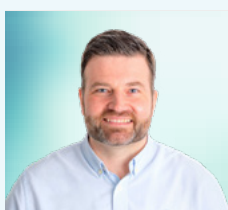
Jon joined Finsbury Food Group in 2015 and led Fletchers Bakery for the first five years. Jon has 22 years' experience in Operations and Engineering management roles. Jon started his career as a Manufacturing Engineer in the Automotive industry but moved into the high-volume bakery sector in 2002. Past senior roles outside of Finsbury Food Group include General Manager at New York Bagel and Dual Site Director for Hovis.

**Mathew Baxter**Group Supply
Chain Director

Mathew joined Finsbury Food Group in 2019. Mathew has over 26 years' supply chain experience in both retail and as a supplier. Mathew also has extensive international experience with Kerry and RB having worked in the EU, South East Asia and North America for a number of years.

**Dan Bowles**Group Health, Safety,
Environment and
Risk Director

Dan joined Finsbury Food Group in 2017. He has 20 years' experience in Health, Safety and Environmental roles in a number of industries including civil engineering, process engineering and food and drink. Dan holds a BSc Hons degree in Health, Safety and Environmental management. He is a Chartered Member of the Institute of Occupational Health and Safety (IOSH) and Practitioner Member of the Institute of Environmental Management and Assessment (IEMA).

**Graeme Clark**Group Commercial
Director

Graeme joined Finsbury Food Group in 2006. He has over 20 years' commercial experience in the bakery industry and has been Commercial Director of the cake business for the last six years. Graeme has recently moved to the new role of Group Commercial Director. After graduating university with a BA in Marketing he spent the first three years of his career in the textile industry. Following that Graeme joined Enterprise Foods and was Head of Commercial for California Cake Company when the bakery was acquired by Finsbury Food Group in 2006.

**Steve Hill**

Finance Director

Steve joined Finsbury Food Group in 2017, initially as Finance Director for the cake business and subsequently as Finance Director for the UK business. Prior to that Steve spent 12 years at Mondelez International and Cadbury, working in a variety of finance roles across their businesses in the UK, so has significant experience in FMCG and food manufacturing.

Audit Committee Report

The Audit Committee comprises two members: Bob Beveridge, a chartered accountant with recent and relevant financial experience, and Ray Duignan. It met three times during the year with 100% attendance. The external auditors and Finance Director attended all meetings at the invitation of the Committee Chairman. The Committee also met with the external auditors and internal auditor without the presence of Executive Directors.

Role

The Audit Committee is responsible for ensuring that the financial performance of the Group is properly reported and reviewed. Its role includes monitoring the integrity of the Financial Statements (including Annual and Interim Financial Statements and results announcements), reviewing internal control and risk management systems, reviewing any changes to accounting policies, reviewing and monitoring the extent of the non-audit services undertaken by external auditors and advising on the appointment of external auditors.

Terms of Reference

The duties of the Committee are set out in its terms of reference which is published on the Group's website (<https://finsburyfoods.co.uk/investor-relations/corporate-governance/>).

The main items of business carried out in the year included:

- Review of the FY22 audit plan and audit engagement letter;
- Consideration of key audit matters and how they are addressed;
- Review of effectiveness of the external auditor;
- Review of the Financial Statements and Annual Report;
- Consideration of the external audit report;
- Going concern review;
- Review of the risk management process and internal control procedures;
- Review of internal audit reports and plans;
- Meeting with the external auditor without management present; and
- Review of whistleblowing and anti-bribery arrangements.

Financial Reporting

During the year, the Committee concluded that the Annual Report and Financial Statements, taken as whole, were fair, balanced and understandable and provided the information necessary for shareholders to assess the Group's business model, strategy and performance. During the year, the Committee considered the following key matters of judgement:

- Valuation of goodwill and intangible assets and review for potential impairment, ensuring the reasonableness of key assumptions, considering the impact of sensitivities to these assumptions and identifying the degree of sensitivity which would lead to a potential impairment.
- Accounting for the Defined Benefit Pension Scheme; ensuring consistency with prior years and external benchmarks.
- Alternative performance measures; agreed to refresh measures, consistent with strategic objectives.

In terms of going concern, the Committee considered a range of scenarios for both the budget and the three-year business plan including a reasonable worst-case scenario. It was concluded that the going concern basis is appropriate.

The Committee reviewed the full-year and half-year results announcements, Annual Report and Financial Statements and considered reports from the external auditors. The Committee also reviewed the Strategic Report and concluded that it presented a useful and fair, balanced and understandable review of the business.

External Audit

Considering last year's detailed assessment of the audit effectiveness, the same audit effectiveness questionnaire was completed, followed by a joint meeting between senior finance managers and the audit team members to review the results. A joint report was submitted to the Audit Committee; audit quality was deemed to be good and improvements have been achieved. Further improvements for FY22 were agreed by the Committee, including planning and escalation procedures and greater focus on internal controls now the common system and controls have been fully implemented across the Group. The Committee consider that challenges from the external auditor have been suitably rigorous.

During the year, the fees paid to the auditors, PwC, were £199,000 (2021: £183,000) for audit services, and £181,000 (2021: £41,000) for non-audit services. No services were provided pursuant to contingent fee arrangements.

The Committee reviewed and considered a number of factors to assess the auditors' objectivity and independence, including their internal procedures, the degree and nature of challenges and scepticism shown by the partner. The Committee is satisfied with PwC's independence, objectivity and expertise and believes the Group is subjected to a rigorous audit process. As PwC has been auditor for four years there is no intention to re-tender and the Board will recommend their ongoing appointment at the AGM.

Audit Committee Report/Continued

Risk Management, Internal Controls and Internal Audit

Risk management sits with the Risk Steering Committee, chaired by the Group Health, Safety, Environment and Risk Director; the Audit Committee agreed the terms of reference of this Committee and reviews its outputs and minutes on an ongoing basis. This year the risk management process was fully integrated with both health and safety and the strategic planning processes. A report was prepared that identified the risks, the procedures in place to mitigate those risks and uncertainties and the potential impact on the Group. The Committee reviewed this report and reported its views to the Board. The principal risks and uncertainties to which the Group is exposed are set out in the Strategic Report on pages 36 to 39.

Internal audit reviews during the year have focused on compliance with the Group's control framework and the internal audit reports and follow-up actions were reviewed by the Committee on an ongoing basis.

Whistleblowing and Anti-Bribery

The Committee considered reports of whistleblowing from the hotline which confirmed its view that the hotline was a valuable assurance with issues being identified and followed through appropriately. It reviewed minor updates to whistleblowing and anti-bribery policies.

Other Matters

During the year the Committee completed 'deep dive' reviews into IT risks including Cyber security and the end-to-end procurement processes. It received ongoing presentations from the Group's Health and Safety manager, outlining further progress on the HSE strategy. Additionally, the Committee reviewed foreign exchange, interest rate and commodity hedging policies, the Group's insurance policies and reviewed the Audit Committee's effectiveness via a questionnaire completed by senior finance Executives as well as Committee members.

Conclusion

Having given due and full consideration to all the matters referred to in this Audit Committee Report, the Committee is satisfied that the Group has in place effective internal control systems and a risk management process. The Committee is also satisfied that the Financial Statements present a fair, balanced and understandable view and provide shareholders with the necessary information to assess the Group's position and performance, strategy and business model.

Bob Beveridge

Chairman of the Audit Committee
23 September 2022

Directors' Remuneration Report (unaudited)

Statement from the Chairman of the Remuneration Committee

Dear Shareholder,

As Chair of the Remuneration Committee, I am pleased to present the Directors' Remuneration Report of Finsbury Food Group Plc (the "Company") for the year ended 2 July 2022 ("FY22") ("Report"). The Remuneration Report follows on pages 60 to 62 and provides details of the earnings of the Directors of the Company during FY22.

As with previous years and as a matter of best practice, the Annual Report on Remuneration has been prepared taking into account the remuneration reporting regulations applicable to fully listed companies in the UK.

Remuneration Policy

A copy of the Company's Directors' Remuneration Policy (the "Remuneration Policy") is available on our website at www.finsburyfoods.co.uk/investor-relations/corporate-governance. The Remuneration Policy has been applied since the 2017/18 financial year.

Remuneration in Context

Despite the ongoing pressures and inflationary headwinds that are set to persist, we have a successful track record of navigating challenging market conditions. We believe the steps already taken to optimise the business to date, stands us in good stead. We have been able to mitigate the impact of these pressures through commercial negotiation and operational improvements.

With the recovery in foodservice, steady sales in retail and a strong overseas performance, and including the benefits of the decisive mitigation actions taken in the first half of the year, we are pleased to have been able to deliver a record revenue performance of £356.8 million, up 13.9% against revenue for the year to 26 June 2021 ("FY21"). The Group's Operating Brilliance Programme continued to drive improvements in cost and cash performance and the Group's net bank debt position at year end was £20.6 million (FY21: £13.1 million). The increase in debt of £7.5 million reflects our investment in European growth through the acquisition of a further 35% shareholding in our French subsidiary £6.1 million, and the reinstatement of the FY21 final dividend and the interim dividend paid during FY22 with a cash outlay of £4.0 million.

This strong performance is testament to the strength of the leadership team and the hard work and commitment by all our colleagues throughout a sustained period of challenge. We would like to thank everyone for that commitment.

Review of FY22 and Remuneration Outcome

Following the voluntary 30% salary/fees reductions taken by the Directors between 1 April 2020 and 20 June 2020 and no salary/fee increases in FY21, the following remuneration measures were implemented during FY22:

- The Executive Directors received a base salary increase of 2% with effect from 1 October 2022 in line with the average increase for the wider workforce;
- We have increased pay rates for the team member population across all manufacturing sites in order to remain competitive and ensure we are able to attract and maintain a skilled and stable workforce. In certain locations where labour shortages have been more acute, the increases have been higher than current inflationary levels; and
- The first review of the Non-Executive Directors' fees in six years was carried out in September 2021. As a result, the Chairman's fee was increased from £85,000 to £100,000 per annum with effect from 1 October 2021. No changes were made to the other Non-Executive Director fees.

The achievement of a record revenue performance in the face of exceptional negative macroeconomic and inflationary headwinds is a demonstration of Finsbury's resilience and strategic focus, and the quality and commitment of its management team. The Group delivered a particularly strong second-half performance with revenue up 18.7% against H2 FY21, 10.0% of which was attributable to volume growth. This resulted to an increase in adjusted operating profit for FY22 of £17.8 million, up £1.7 million (10.6%) against FY21.

As set out on page 61, based on an adjusted full-year EBITDA performance of £28.7 million, the Executive Directors earned a bonus of 100% of salary for FY22. 50% of the bonus will be paid in cash and 50% in shares. The Committee considers that this bonus outturn to the Executive Directors fairly reflects and rewards their outstanding leadership during an exceptionally challenging period coupled with the delivery of record revenue performance and profit growth. We congratulate the management team on such a strong performance and believe the full award of the incentive is well deserved.

The Performance Share Plan (PSP) awards granted on 28 October 2019 were based on the three-year performance period ending on 2 July 2022, with 50% of the award based on earnings per share (EPS) and 50% of the award based on Total Shareholder Return (TSR) measured against the FTSE Small Cap comparator group. EPS as at 2 July 2022 was 10.1p which was between the threshold and maximum EPS target disclosed on page 61, therefore 73.42% of EPS element has vested. TSR performance was between the median and upper quartile against the comparator group and therefore 48.08% of the TSR element has vested. The shares awarded as a result of the PSP awards vesting are subject to a two-year holding period commencing on 3 July 2022.

The Restricted Stock Awards (RSA) granted on 28 October 2019 to recognise the contribution made and the importance of retaining and motivating the Executive Directors and the wider management team, will vest on 28 October 2022 subject to continued employment. The RSAs are not subject to a holding period.

The Committee awarded nil-cost share options as PSP awards under the LTIP to Executive Directors (and participants including senior management) during FY22. The number of options awarded to each Executive Director was equivalent to 100% of salary, based on the average price of the shares over the three business days immediately prior to the end of FY21.

These awards and the respective conditions are detailed on page 61.

Directors' Remuneration Report (unaudited)/Continued

Remuneration in Respect of the 2022-2023 Financial Year

Salary and Fees

A review of the Executive Directors' salary and the Chairman and Non-Executive Directors' fees was undertaken by the Committee in September 2022. It was determined that the Executive Directors' salaries will increase by 5.4% in line with the general increases applied to the wider workforce. There will be no increase for the Chairman or Non-Executive Directors.

Annual Bonus

No changes are proposed to the bonus opportunity for FY23. The maximum bonus opportunity for the Executive Directors remains up to 100% of salary. The annual bonus will continue to be based on adjusted EBITDA performance as the Committee considers this to be the most appropriate short-term measure for assessing Executive Directors' performance. At year end, when we determine the performance outcomes for the year, we will be thoughtful in our assessment of results, balanced with the shareholder and workforce experience. Details of the performance targets for the FY23 bonus will be reported in the FY23 Annual Report.

LTIP

Awards under the LTIP will be made following the announcement of our results. The maximum opportunity for the Executive Directors will be 100% of salary. The Committee is reviewing the performance conditions and targets for the LTIP awards. The performance conditions and targets will be disclosed in the Remuneration Report next year.

Independent Advice

During the year, the Remuneration Committee retained the services of Deloitte LLP to provide advice and support to the Committee relating to Director remuneration and incentivisation, and in particular to enable the Committee to consider its options for incentivisation and reward in the context of the unusual macroeconomic climate, to understand developing market practices and the views of the investor community and how they might relate to the Company. Deloitte's fees for providing this service during FY22 were £9,000.

Marnie Millard

Chairman of the Remuneration Committee
23 September 2022

Directors' Remuneration Report (unaudited)/Continued

Remuneration Policy

The Company's full Remuneration Policy can be viewed in the investor section of its website at www.finsburyfoods.co.uk/investor-relations/corporate-governance.

The main aim of the Remuneration Policy is to align the interests of Executive Directors with the Company's strategic vision and the long-term creation of shareholder value. The Company aims to provide returns to shareholders through both organic and acquisitive growth. The Remuneration Policy is intended to remunerate our Executive Directors competitively and appropriately for effective delivery of these objectives, and allows them to share in this success and the value delivered to shareholders. The Remuneration Policy is based on a broad set of remuneration principles:

- Promote shareholder value creation;
- Support the business strategy;
- Promote sound risk management;
- Ensure that the interests of the Directors are aligned with the long-term interests of shareholders;
- Deliver a competitive level of pay for the Directors without paying more than is necessary to recruit and retain individuals;
- Ensure that the Executive Directors are rewarded for the contribution to the success of the Group and share in the success delivered to shareholders; and
- Motivate the Directors to deliver enhanced sustainable performance.

Unaudited Annual Report on Remuneration

Single Total Figure of Remuneration

The tables below detail the total remuneration earned by each Director in respect of FY21 and FY22. Explanatory notes are set out below.

FY22	Salaries/ fees £000	Taxable benefits £000	Annual bonus shares £000	Annual bonus cash £000	LTIP* £000	Total remuneration £000
Executive Directors						
J G Duffy	434	11	217	217	270	1,149
S A Boyd	304	11	152	152	189	808
	738	22	369	369	459	1,957
Non-Executive Directors						
P Baker	96	-	-	-	-	96
R Beveridge	55	-	-	-	-	55
R P E Duignan	58	-	-	-	-	58
M J Millard	56	-	-	-	-	56
	265	-	-	-	-	265
	1,003	22	369	369	459	2,222

FY21	Salaries/ fees £000	Taxable benefits £000	Annual bonus shares £000	Annual bonus cash £000	LTIP* £000	Total remuneration £000
Executive Directors						
J G Duffy	428	12	214	214	-	868
S A Boyd	300	12	150	150	-	612
	728	24	364	364	-	1,480
Non-Executive Directors						
P Baker	85	-	-	-	-	85
R Beveridge	55	-	-	-	-	55
R P E Duignan	58	-	-	-	-	58
M J Millard	55	-	-	-	-	55
	253	-	-	-	-	253
	981	24	364	364	-	1,733

* The Performance Share Plan ("PSP") awards granted on 28 October 2019 vested at 60.54% (see page 61 for further details) with respect to the performance period ending 2 July 2022. The value attributed to these vested awards in the table above is based on the three-month average share price to 2 July 2022 (71.09p). These awards are subject to a two-year holding period commencing on 3 July 2022. No long-term incentive awards vested with respect to a performance period ending during FY21.

The Restricted Stock Awards (RSA) granted on 28 October 2019 to recognise the contribution made and the importance of retaining and motivating the Executive Directors and the wider management team will vest on 28 October 2022 subject to continued employment. The value of these awards will therefore be included in the single figure disclosures for FY23.

Directors' Remuneration Report (unaudited)/Continued

Notes to the Table

Base Salaries

The base salaries for the Executive Directors are set with effect from 1 October each year. The salaries in FY22 and FY21 were as follows:

Executive Directors	From 1 October 2021	From 1 October 2020	Percentage increase
J G Duffy	£436,540	£427,980	2%
S A Boyd	£305,786	£299,790	2%

Taxable Benefits

The taxable benefits for the Executive Directors in the year included a car allowance and private medical insurance. The Executive Directors do not receive a pension allowance.

Annual Bonus

The annual bonus is the total value of the bonus earned in respect of the financial year (including the amount delivered in shares). For the financial year ended 2 July 2022, Executive Directors were able to earn a bonus of up to 100% of their annual base salary subject to the achievement of stretching EBITDA performance targets. Based on adjusted EBITDA performance of £28.7 million, the maximum adjusted EBITDA target has been achieved. Thus, the Executive Directors earned a bonus of 100% of salary for FY22.

The following table sets out the bonus pay-out to the Executive Directors for FY22 and how this reflects EBITDA performance for the year.

Performance measure	Actual performance	Resulting level of award for each Executive as a percentage of salary	Bonus to be paid
Earnings before interest, tax, depreciation and amortisation (EBITDA)	£28.7 million	100% of salary	50% in cash 50% in shares

Long-term Incentives

PSP awards granted on 28 October 2019 were based on performance over the three financial years to 2 July 2022 and vested as to the amounts set out below. These awards are subject to a two-year holding period from 3 July 2022.

Measure	Performance conditions	% vesting	Actual performance	% of this element vesting	% of full award
50%: Adjusted diluted EPS for FY22	Adjusted diluted EPS	% vesting			
	Below 9.00p	0	10.1 pence per share	73.42%	36.71 %
	At 9.00p	25%			
	Between 9.00p and 10.72p	Straight-line vesting to 100%			
Above 10.72p	100%				
50%: Relative TSR measured against the FTSE Small Cap comparator group (excluding investment trusts) over the performance period	Relative TSR ranking	% vesting			
	Below median	0	Between median and upper quartile	48.08%	24.04%
	Median	25%			
	Between median and upper quartile	Straight-line vesting			
Upper quartile	100%				
Total % of award vesting					60.75%

In arriving at the adjusted EPS out-turn of 10.1p, the Committee has excluded the significant and non-recurring costs relating to restructuring and impairments.

The table below sets out the number and value of shares resulting from the vesting of the PSP option awards detailed above.

	Number of options granted	Number of shares vested	Value of shares vested
J G Duffy	625,310	379,876	£270,051
S A Boyd	438,016	266,095	£189,165

The value vesting in the table above is based on the three-month average shares price to 2 July 2022 (71.09p).

Chairman and Non-Executive Director Fees

Details of Chairman and Non-Executive Directors' fees earned during FY22 are set out below:

Chairman fee	Non-Executive Director fee	Chair of a Board Committee	Member of a Board Committee
£96,250	£50,000	£5,000	£2,500

Directors' Remuneration Report (unaudited)/Continued

Payments for Loss of Office Made During the Year

No payments for loss of office were made in the year to any Director of the Company.

Statement of Directors' Shareholding and Share Interests

The interests of the Directors and their immediate families in the Company's ordinary shares as at 2 July 2022 and 26 June 2021 were as follows:

	2 July 2022	26 June 2021
Executive Directors		
J G Duffy	2,738,246	2,617,592
S A Boyd	1,280,057	1,195,543
Non-Executive Directors		
P Baker	96,817	96,817
R Beveridge	14,000	14,000
R P E Duignan	-	-
M J Millard	9,701	9,366

The current personal shareholdings of J G Duffy and S A Boyd and their immediate families equate to circa 4.3 and 2.8 times salary respectively.

The interests of the Directors and their immediate families in the Company's ordinary shares did not change between 2 July 2022 and the date these Financial Statements were signed on 23 September 2022.

The interests of each Executive Director of the Company as at 2 July 2022 and 26 June 2021 in the Company's share schemes were as follows:

Executive Director	Date of grant	Number of options at 26 June 2021	Granted	Exercised	Lapsed	Number of options at 2 July 2022
J G Duffy	04/12/2015	655,614	-	-	-	655,614
J G Duffy	28/10/2019	1,174,090	-	-	(245,434)	928,656
J G Duffy	22/10/2020	705,888	-	-	-	705,888
J G Duffy	01/11/2021	-	468,608	-	-	468,608
S A Boyd	04/12/2015	476,364	-	-	-	476,364
S A Boyd	28/10/2019	833,380	-	-	(171,921)	661,459
S A Boyd	22/10/2020	494,458	-	-	-	494,458
S A Boyd	01/11/2021	-	328,250	-	-	328,250
		4,339,794	796,858	-	(417,355)	4,719,297

Details of the PSP awards granted to the Executive Directors during FY22 are given in the table below:

	Number of shares	Basis of award	Performance/vesting period	Performance conditions
J G Duffy	468,808	100% of salary Nil cost option (PSP Award)	3 financial years from 27 June 2021	50% subject to EPS growth and 50% subject to relative TSR (further details below)
S A Boyd	328,249	100% of salary Nil cost option (PSP Award)	3 financial years from 27 June 2021	50% subject to EPS growth and 50% subject to relative TSR (further details below)

The value of the shares subject to each PSP award was calculated using the average price of the Company's shares over the three business days immediately prior to the end of FY21.

Shares awarded as a result of the PSP awards will be subject to a further two-year holding period following the end of the performance period.

Vesting of 50% of the FY22 PSP award will normally be based upon the amount of the adjusted diluted EPS delivered in the financial year ending in 2024, being the final financial year of the three financial year performance period beginning with FY22. Below the threshold vesting target of 7.60p, none of the EPS component of the award will vest. 25% of this EPS component will vest if adjusted diluted EPS is 7.60p with 100% vesting at 9.00p and vesting determined on a straight-line basis between these figures. This is subject to the Committee's discretion to adjust vesting levels and/or substitute such condition with alternative EBITDA target ranges if it considers that such condition is no longer a fair and appropriate measure of the Company's financial performance during the performance period, taking into account factors such as the Company's EBITDA performance relative to the wider market.

Vesting of 50% of the FY22 PSP award will be based upon relative TSR against the FTSE Small Cap comparator group (excluding investment trusts) over the performance period. At below median relative TSR ranking, none of the TSR component of the award will vest. 25% of the TSR component will vest at median ranking, 100% of the TSR component vesting at upper quartile or above ranking, and vesting will be determined on a straight-line basis between these points.

Approval

This report was approved by the Board on 23 September 2022 and signed on its behalf by:

Marnie Millard

Chairman of the Remuneration Committee

Independent Auditors' Report to the Members of Finsbury Food Group Plc

Report on the Audit of the Financial Statements

Opinion

In our opinion:

- Finsbury Food Group Plc's Group Financial Statements and Company Financial Statements (the "Financial Statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 2 July 2022 and of the Group's profit and the Group's cash flows for the 53-week period then ended;
- The Group Financial Statements have been properly prepared in accordance with UK-adopted international accounting standards;
- The Company Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- The Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the Consolidated Statement of Financial Position and the Company Balance Sheet as at 2 July 2022; the Consolidated Statement of Comprehensive Income, the Consolidated and the Company Statements of Changes in Equity and the Consolidated Cash Flow Statement for the period then ended; and the Notes to the Financial Statements, which include a description of the significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the auditors' responsibilities for the audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our Audit Approach

Overview

Audit Scope

- We performed a full-scope audit procedure in respect of the Group's five largest manufacturing locations as well as Finsbury Food Group Plc; and
- Our audit procedures covered entities contributing 82% of the Group's revenues for the 53-week period ended 2 July 2022.

Key Audit Matters

- Goodwill impairment assessment (Group); and
- Recoverability of the Company investments in subsidiaries (Parent).

Materiality

- Overall Group materiality: £1.8 million (2021: £1.6 million) based on 0.5% of total revenues;
- Overall Company materiality: £1.7 million (2021: £1.5 million) based on 1% of total assets (restricted by Group materiality); and
- Performance materiality: £1.3 million (2021: £1.1 million) (Group) and £1.3 million (2021: £1.1 million) (Company).

The Scope of our Audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the Financial Statements.

Key Audit Matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Impact of the outbreak of Covid-19 on the Financial Statements (Group and Parent), which was a key audit matter last year, is no longer included because of the Group continuing to operate throughout the pandemic and Covid-19 is no longer considered a pervasive risk. Otherwise, the key audit matters on the following page are consistent with last year.

Independent Auditors' Report to the Members of Finsbury Food Group Plc/Continued

Key audit matter**Goodwill impairment assessment (Group)**

At 2 July 2022, the Consolidated Statement of Financial Position includes £73.2 million of goodwill (2021: £73.2 million). In accordance with the requirements of UK-adopted International Accounting Standards, management has performed impairment reviews in relation to the goodwill held in each of the Group's cash generating units (CGUs). Management has prepared value in use calculations for each of the CGUs using Board approved strategic plans. The impairment reviews include significant estimates and judgements in respect of future growth rates and cash flows, and the discount rate employed. Sensitivities of these key estimates and judgements are detailed in Note 10, Intangibles.

How our audit addressed the key audit matter

We obtained the relevant CGU cash flow forecasts supporting management's calculation of value in use and evaluated the appropriateness of key assumptions. We assessed the methodology used by management in performing the assessments and challenged key inputs. Our procedures included:

- Verifying the accuracy of the underlying calculations in the model and agreeing the cash flow forecasts to the plan approved by the Board;
- Evaluating the appropriateness of forecast cash flows by understanding management's process for forecasting, examining the support for forecast cash flows and assessing CGU specific cash flow assumptions such as assessing the impact of excluding cash flows that improve or enhance the CGU's performance;
- Evaluating the appropriateness of the projected revenue growth rates used, both over the short term to 2025 and over the longer term, including assessing and challenging the assumptions compared to current trading performance and economic conditions;
- Consideration of prior year and current performance in comparison to projected results;
- Considering the impact of a range of sensitivities to assess the impact of reasonably possible changes in key assumptions to those used by management;
- Evaluating the appropriateness of discount rates used, which included benchmarking the rate used to other similar companies;
- Evaluating other key inputs to the cash flows, including the impact of cost pressures on forecast margins and capital expenditure; and
- Reviewing management's disclosures in the Financial Statements.

We believe that the assumptions in the value in use model and the conclusion reached that no impairment is required is reasonable. We also believe that the disclosures in Note 10 of the Financial Statements in respect of sensitivities that would result in impairment are appropriate. We consider that the carrying value of the goodwill balance is materially correct and we believe that the disclosures in the Financial Statements are appropriate.

Recoverability of the Company investments in subsidiaries (Parent)

At 2 July 2022, the Company's Statement of Financial Position included £118.4 million of investments in subsidiaries (2021: £112.0 million). In accordance with the requirements of UK-adopted International Accounting Standards, management has performed an analysis considering whether any impairment triggers exist as well as comparing the carrying amount of the investments with the calculated value in use (noted above). No impairment has been recognised in the current year. The impairment reviews include significant estimates and judgements in respect of future growth rates and cash flows, and the discount rate employed.

We have considered whether there are any indicators of impairment, including comparing to current market capitalisation.

In order to support that there is no impairment we have also obtained the relevant subsidiary cash flow forecasts that support the carrying value of the investment. We have challenged key inputs, assessed management's methodology and evaluated the appropriateness of key assumptions adopted (as described above).

We believe that the assumptions in the value in use model and the conclusion reached that no impairment is required is reasonable. We consider the carrying value of the investment balance to be materially correct.

How we Tailored the Audit Scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the Financial Statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group has six main manufacturing sites across the UK, together with a distribution centre in France, operations in Poland, and a head office location based in the UK. Each manufacturing site has its own accounting team with the consolidation work and Group financial reporting for Finsbury Food Group Plc being undertaken by a team based at the UK head office.

Of the Group's nine reporting components, five are considered to be financially significant components of the Group, given the significant revenue generated at these locations. All of these components were based in the UK and full scope audit procedures were led by the Group engagement team. The Group engagement team also audited the Parent Company, which was scoped in accordance with the Company materiality with the audit procedures focused on the investment carrying value and the revolving credit facility held by the Company.

Our audit addressed components making up 82% of the Group's revenues for the period.

Independent Auditors' Report to the Members of Finsbury Food Group Plc/Continued

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual Financial Statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the Financial Statements as a whole.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole as follows:

	Financial Statements – Group	Financial Statements – Company
Overall materiality	£1.8 million (2021: £1.6 million).	£1.7 million (2021: £1.5 million).
How we determined it	0.5% of total revenues.	1% of total assets (restricted by Group materiality).
Rationale for benchmark applied	Revenue is a key metric used by management and investors and given the relative volatility of profit before tax in recent years, this was considered to be a more consistent metric in line with the prior year.	We determined our materiality based on total assets, which is more applicable than a performance-related measure as the Company is primarily an investment holding Company for the Group. However, as this materiality was greater than overall Group materiality, we have restricted the entity materiality.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £0.6 million to £1.7 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £1.3 million (2021: £1.1 million) for the Group Financial Statements and £1.3 million (2021: £1.1 million) for the Company Financial Statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount in the middle of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £89,000 (Group audit) (2021: £78,000) and £85,000 (Company audit) (2021: £74,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions Relating to Going Concern

Our evaluation of the Directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating the appropriateness of forecast cash flows by understanding management's process for forecasting and examining the support for forecast cash flows;
- Evaluating the appropriateness of the projected revenue growth rates used, over the next 12-18 months, including assessing the assumptions on trading performance and liquidity;
- Consideration of the prior year and current performance in comparison to projected results;
- Considering the impact of a range of sensitivities to assess the impact of reasonably possible changes in key assumptions to those used by management;
- Evaluating other key inputs to the cash flows, including the forecast margins and capital expenditure;
- Reviewed covenant calculations to ensure no covenant breaches in the current year and no forecast covenant breaches throughout the period, there are no current or forecast breaches;
- Performed sensitivities on the covenant calculations to assess headroom, which showed significant decreases in Earnings Before Interest Taxation Depreciation and Amortisation (EBITDA) would be required in order for covenants to be breached; and
- Assessed current and forecast headroom for the Group in relation to their available cash facility, which shows clear headroom throughout the assessment period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the Financial Statements are authorised for issue.

In auditing the Financial Statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Independent Auditors' Report to the Members of Finsbury Food Group Plc/Continued

Reporting on Other Information

The other information comprises all of the information in the Annual Report other than the Financial Statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 2 July 2022 is consistent with the Financial Statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the Financial Statements and the Audit

Responsibilities of the Directors for the Financial Statements

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements, the Directors are responsible for the preparation of the Financial Statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to food and hygiene laws, health and safety regulations, employment law and environmental legislation, and we considered the extent to which non-compliance might have a material effect on the Financial Statements. We also considered those laws and regulations that have a direct impact on the Financial Statements such as AIM listing regulations, pension legislation, tax legislation and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the Financial Statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries to manipulate financial results and potential management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Evaluation of the adequacy of the design of management's controls to prevent and detect irregularities;
- Enquiry of management around known or suspected instances of non-compliance with laws and regulations and fraud;
- Review of minutes of meetings of those charged with governance;
- Challenge assumptions made by management in its significant accounting estimates;
- Identifying and testing the validity of journal entries, in particular any journal entries posted with unusual account combinations and consolidation journals; and
- Incorporated an element of unpredictability in our audit procedures.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the Financial Statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Independent Auditors' Report to the Members of Finsbury Food Group Plc/Continued

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the Financial Statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this Report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other Required Reporting

Companies Act 2006 Exception Reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- We have not obtained all the information and explanations we require for our audit; or
- Adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- The Company Financial Statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Jason Clarke (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff
23 September 2022

Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and Consolidated Financial Statements and the Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law the Directors have prepared the Group Financial Statements in accordance with UK-adopted international accounting standards and the Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under Company law, Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the Financial Statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- State whether applicable UK-adopted international accounting standards have been followed for the Group Financial Statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the Company Financial Statements, subject to any material departures disclosed and explained in the Financial Statements;
- Make judgements and accounting estimates that are reasonable and prudent; and
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

On behalf of the Board

Stephen Boyd

Director

23 September 2022

Financial Statements

Consolidated Statement of Comprehensive Income

for the 53 weeks ended 2 July 2022

	Note	2022 €000	2021 €000
Revenue	2	356,808	313,258
Cost of sales		(241,183)	(210,273)
Gross profit		115,625	102,985
Administrative expenses	3	(98,222)	(85,716)
Administrative items – significant and non-recurring	4	(1,898)	958
Operating profit		15,505	18,227
Finance income	7	-	89
Finance cost	7	(1,208)	(1,303)
Net finance cost		(1,208)	(1,214)
Profit before tax		14,297	17,013
Taxation	8	(2,709)	(3,368)
Profit for the financial year		11,588	13,645
Other comprehensive income			
Items that will not be reclassified to profit and loss			
Remeasurement on Defined Benefit Pension Scheme	14	7,815	396
Movement in deferred taxation on Pension Scheme liability	23	(1,954)	811
Other comprehensive income for the financial year, net of tax		5,861	1,207
Total comprehensive income for the financial year		17,449	14,852
Profit attributable to:			
Equity holders of the Parent		10,472	12,347
Non-controlling interest		1,116	1,298
Profit for the financial year		11,588	13,645
Total comprehensive income attributable to:			
Equity holders of the Parent		16,333	13,554
Non-controlling interest		1,116	1,298
Total comprehensive income/(expense) for the financial year		17,449	14,852
Earnings pence per ordinary share			
Basic	9	8.4	9.8
Diluted	9	7.9	9.3

The Notes on pages 73 to 104 form an integral part of these Financial Statements

Consolidated Statement of Financial Position
at 2 July 2022

	Note	2022 €000	2021 €000
Non-current assets			
Intangibles	10	87,355	88,019
Property, plant and equipment	12	62,672	59,015
Deferred tax assets	23	4,072	5,961
		154,099	152,995
Current assets			
Inventories	15	23,281	15,027
Trade and other receivables	16	58,148	50,986
Cash and cash equivalents	17	7,381	9,523
Other financial assets – fair value of derivatives	13	20	405
		88,830	75,941
Total assets		242,929	228,936
Current liabilities			
Other interest-bearing loans and borrowings	18	(1,605)	(2,039)
Trade and other payables	20	(74,284)	(62,490)
Provisions	21	(697)	(222)
Other financial liabilities – fair value of derivatives	13	(575)	(121)
Deferred consideration	22	(496)	(976)
Current tax liabilities		(731)	(689)
		(78,388)	(66,537)
Non-current liabilities			
Other interest-bearing loans and borrowings	18	(35,388)	(31,029)
Provisions	21	(18)	(160)
Deferred consideration	22	-	(466)
Deferred tax liabilities	23	(3,699)	(2,944)
Pension fund liability	14	(6,582)	(14,529)
		(45,687)	(49,128)
Total liabilities		(124,075)	(115,665)
Net assets		118,854	113,271
Equity attributable to equity holders of the Parent			
Share capital	26	1,304	1,304
Share premium account	25	64,956	64,956
Capital redemption reserve	25	578	578
Employee share reserve	25	(5,696)	(5,374)
Retained earnings	25	57,456	49,021
		118,598	110,485
Non-controlling interest		256	2,786
Total equity	25	118,854	113,271

The Financial Statements on pages 69 to 72 were approved by the Board of Directors on 23 September 2022 and were signed on its behalf by:

Stephen Boyd

Director

Registered Number 00204368

The Notes on pages 73 to 104 form an integral part of these Financial Statements

Consolidated Statement of Changes in Equity

for the 53 weeks ended 2 July 2022

	Note	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 at 28 June 2020		1,304	64,956	578	(3,378)	34,918	2,210	100,588
Profit for the financial year		-	-	-	-	12,347	1,298	13,645
Other comprehensive:								
Remeasurement on Defined Benefit Pension	14	-	-	-	-	396	-	396
Deferred tax movement on Pension Scheme remeasurement	23	-	-	-	-	811	-	811
Total other comprehensive income		-	-	-	-	1,207	-	1,207
Total comprehensive income for the period		-	-	-	-	13,554	1,298	14,852
Transactions with owners, recorded directly in equity:								
Shares acquired during the year	26	-	-	-	(1,996)	-	-	(1,996)
Impact of share-based payments	26	-	-	-	-	1,001	-	1,001
Deferred tax on share options		-	-	-	-	89	-	89
Foreign exchange translation differences		-	-	-	-	(541)	-	(541)
Dividend paid	27	-	-	-	-	-	(722)	(722)
Balance at 26 June 2021		1,304	64,956	578	(5,374)	49,021	2,786	113,271
Balance at 27 June 2021		1,304	64,956	578	(5,374)	49,021	2,786	113,271
Profit for the financial year		-	-	-	-	10,472	1,116	11,588
Other comprehensive:								
Remeasurement on Defined Benefit Pension	14	-	-	-	-	7,815	-	7,815
Deferred tax movement on Pension Scheme remeasurement	23	-	-	-	-	(1,954)	-	(1,954)
Total other comprehensive income		-	-	-	-	5,861	-	5,861
Total comprehensive (expense)/income for the period		-	-	-	-	16,333	1,116	17,449
Transactions with owners, recorded directly in equity:								
Shares acquired during the year	26	-	-	-	(500)	-	-	(500)
Shares issued during the year	26	-	-	-	178	-	-	178
Impact of share-based payments	26	-	-	-	-	1,524	-	1,524
Transactions with non-controlling interests		-	-	-	-	(4,962)	(1,121)	(6,083)
Costs associated with transactions with non-controlling interests		-	-	-	-	(375)	-	(375)
Foreign exchange translation differences		-	-	-	-	(67)	-	(67)
Dividend paid	27	-	-	-	-	(4,018)	(2,525)	(6,543)
Balance at 2 July 2022		1,304	64,956	578	(5,696)	57,456	256	118,854

The Notes on pages 73 to 104 form an integral part of these Financial Statements.

Consolidated Cash Flow Statement

for the 53 weeks ended 2 July 2022

	Note	2022 €000	2021 €000
Cash flows from operating activities			
Profit for the financial year		11,588	13,645
Adjustments for:			
Depreciation	3	7,407	7,235
Depreciation right-of-use assets	3	1,986	1,752
Significant non-recurring items	4	1,898	(1,125)
Significant non-recurring items – impairment of fixed assets	4,12	-	167
Net finance costs	7	1,208	1,214
Taxation	8	2,709	3,368
Amortisation of intangibles	10	1,547	1,817
Change in fair value of foreign exchange contracts	13	821	(696)
Contributions by employer to Pension Scheme	14	(417)	(473)
Operating profit before changes in working capital		28,747	26,904
Changes in working capital:			
Increase in inventories		(8,254)	(568)
Increase in trade and other receivables		(7,847)	(11,274)
Increase in trade and other payables		13,589	14,749
Cash generated from operations before costs of disposals and acquisitions		26,235	29,811
Significant non-recurring costs		(2,254)	(364)
Interest paid		(678)	(715)
Tax paid		(2,018)	(3,926)
Net cash generated from operating activities		21,285	24,806
Cash flows from investing activities			
Purchase of property, plant and equipment and intangibles		(12,545)	(6,190)
Purchase of companies	22	(1,000)	(500)
Net cash used in investing activities		(13,545)	(6,690)
Cash flows from financing activities			
Lease payments*	11	(2,275)	(2,789)
Drawdown/(repayment) of revolving credit	19	5,444	(13,753)
Purchase of shares by Employee Benefit Trust		(500)	(1,996)
Transactions with non-controlling interests	22	(6,083)	-
Dividend paid to non-controlling interest	27	(2,525)	(722)
Dividend paid to shareholders	27	(4,018)	-
Net cash generated used in financing activities		(9,957)	(19,260)
Net decrease in cash and cash equivalents		(2,217)	(1,144)
Opening cash and cash equivalents		9,523	10,173
Effect of exchange rate fluctuations on cash held		75	494
Cash and cash equivalents at end of period	17	7,381	9,523

* Lease payments see Note 11 for further details.

The Notes on pages 73 to 104 form an integral part of these Financial Statements.

Notes to the Consolidated Financial Statements

(forming part of the Financial Statements)

Presentation of Financial Statements

Basis of Preparation

These Financial Statements cover the 53-week period ended 2 July 2022 (prior financial year is the 52-week period ended 26 June 2021). The Group Financial Statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The Company is a public Company which is incorporated, domiciled and registered in England and Wales, United Kingdom. The Group Financial Statements have been prepared and approved by the Directors in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006. The "requirements of the Companies Act 2006" here means accounts in accordance with "International Accounting Standards" as defined in section 474(1) of that Act, as it applied immediately before Implementation Period ("IP") completion day (end of transition period), including where the Group also makes use of standards which have been adopted for use within the United Kingdom in accordance with regulation 1(5) of the International Accounting Standards and the European Public Limited Liability Company (Amendment etc.) (EU Exit) Regulations 2019, these are presented on pages 69 to 104.

The Financial Statements have been prepared on a historic cost basis, except for the following:

- Certain financial assets and liabilities (including derivative instruments), certain classes of property, plant and equipment – measured at fair value or revalued amount;
- Assets held for sale – measured at the lower of carrying amount and fair value less costs to sell; and
- Defined Benefit Pension plans – plan assets measured at fair value.

Going Concern

In the current climate in which we navigate well-publicised macro challenges, relevant judgements and assumptions must be made. The Group continues to operate in a complex trading environment with pressure from inflation, supply chain disruptions, labour availability impacted by the pandemic, political, economic and legislative changes and economic factors linked to the ongoing conflict in Ukraine. The conflict between Russia and Ukraine continues to develop and is likely to have a broad impact on the global economy. Whilst navigating these challenges the health and safety of our employees is a top priority.

When considering going concern, judgement must be made as to the impact of the ongoing macro challenges. Forecasts have been built on a bottom-up basis and stress tested to prepare an approved budget used as a basis for reviewing going concern. Risks and opportunities have been considered, and plausible downside risks have been assessed. Having reviewed the Group's short and medium-term plans and available financial facilities, the Board has reasonable expectations that the Group has adequate resources to continue in operational existence for the next 12 months and the foreseeable future.

The Group meets its funding requirements through internal cash generation and bank credit facilities, which are committed until June 2027. Committed banking facilities are £60.0 million with a further accordion available of £60.0 million, net bank debt at the year end was £20.6 million. The Group's forecasts and projections, taking account of possible changes in trading performance, show that the Group will be able to operate comfortably within its current bank facilities. The Group has a relatively conservative level of debt to earnings.

The Board reviews the Group's covenants on a regular basis to ensure that 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. There has been no breach of covenants during the year and none expected during the next 12 months. All covenant tests were passed at the year end.

We have delivered record revenue performance, a demonstration of the Group's resilience and strategic focus. We continue to reap the benefits of our Operating Brilliance Programme which has been one of the key drivers behind our 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 have seen the benefit of these actions in our second half profit performance. We have also been affected by staff shortages and supply chain disruption. 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.

We have seen recovery in foodservice, steady sales in retail and strong overseas performance and have the benefits of the decisive mitigation actions throughout the year. We continue to see opportunities for significant sales growth through gaining market share in existing areas, and targeted acquisitions, with our increased holding of our French subsidiary to 85% in February reflecting our continued desire to invest behind our European growth.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board continues to adopt the going concern basis in preparing the Financial Statements for both the Group and the Parent Company.

Critical Accounting Estimates and Judgements

Judgements

In the course of preparing the Financial Statements, judgements which do not involve estimation have been applied. The key accounting judgements, without estimation are as follows:

• Classification of Items as Significant Non-Recurring

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. They reflect costs that will not be repeated and therefore do not reflect ongoing trading of business which is more meaningful to users. Group management exercises judgement in assessing each significant and non-recurring item and analyses whether the treatment of these items is consistent with accounting policies and practice.

No other significant judgements have been made in the process of applying the Group's accounting policies, other than those involving estimations.

Notes to the Consolidated Financial Statements/Continued

Estimates

The Group is required to make estimates and assumptions concerning the future. These are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results, particularly in the challenging macro environment. Accounting estimates have been required for the production of these Financial Statements. The following are those that are deemed to require the most complex assumptions about matters that have the most significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

- **Defined Benefit Pension Scheme Valuation**

The Group has one legacy Defined Benefit Pension Scheme that was closed to future accrual in May 2010. The net deficit is the difference between the plan assets and plan liabilities at the period end date. The valuation of the assets and liabilities is based on a number of assumptions. The assets are based on market value at the period end date, the liabilities are based on actuarial assumptions such as discount, inflation and mortality rates. The valuation is sensitive to changes in actuarial assumptions, whereby modest changes can have a material impact on the valuation. The risks include economic risks (such as interest rate risk and inflation risk) and demographic risks (for example members living longer than expected). The Group accounts for Defined Benefit Pension based on advice provided by the Scheme's actuary in accordance with IAS 19 (revised) 'Employee Benefits', with independent actuaries being used to calculate the costs, assets and liabilities to be recognised in relation to the Scheme. The present value of the defined benefit obligation, the current service cost and past service costs are calculated by these actuaries using the projected unit credit method, further detail can be found in Note 14. The valuation is prepared on a consistent basis and the assumptions are compared to prior periods and market conditions. The assumptions are audited annually by a team of technical experts to assess whether the assumptions used are within an acceptable range.

- **Impairment of Investments (including Goodwill and Intangibles)**

The Group holds goodwill and intangibles and the Parent Company holds investments in the respective balance sheets. The carrying values are tested for impairment on an annual basis (more frequently if there are indications of impairment due to changes in market environment or changes that may affect the carrying value).

Detailed impairment models are prepared for each cash generating unit, detailed budgets and strategic forecasts are used as a basis for the modelling. Budgets and forecasts are sense checked during various rounds of internal management reviews. Sensitivities are applied to the discount rates used and the assumptions and results are reviewed by the Audit Committee and audited annually by external auditors. Impairment testing involves significant judgement as to whether the carrying value of each asset can be supported by the net present value of estimated future cash flows derived from such asset using cash flow projections which have been discounted at an appropriate rate. The key areas are:

- Discount rates;
- Future revenue and costs; and
- Long-term growth rates.

The impact of the challenges has been modelled through scenario testing; the scenarios assumed by the Group are:

- A base case; and
- A downside scenario.

Detailed bottom-up budgets have been prepared at business level and sensitivities applied. Further details on sensitivity can be found in Note 10.

- **Taxation**

Significant judgement is exercised by management in determining the amounts to be provided for both current and deferred tax. The final tax determination of certain transactions is often uncertain and may not be known for some time in the future. The appointment of external tax advisers to calculate the provisions during the year end process will focus expertise in this area and provide an independent technical interface with the auditors. The tax position is reviewed and assumptions are challenged by the external auditors and the actual tax charge is clearly reconciled to the theoretical tax charge in the Annual Report disclosures to ensure that variances are visible and understood. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. The deferred tax asset recognised for losses relate to acquired businesses. Based on current and forecast levels of profitability, the losses are expected to be utilised within two years. If future profits declined by more than 39% the losses would be utilised within three years. Further tax details can be found in Notes 8 and 23.

Notes to the Consolidated Financial Statements/Continued

1. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these Consolidated Financial Statements, except as explained in the Basis of Preparation, which addresses any changes in accounting policies resulting from new or revised standards.

Basis of Consolidation

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration the potential voting rights. The acquisition date is the date on which control is transferred to the acquirer. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases. The accounting policies of new subsidiaries are changed when necessary to align them with the policies adopted by the Group. Intra-Group balances and transactions are eliminated in preparing the Consolidated Financial Statements.

Lightbody-Stretz Limited, which is 85% owned by the Group is consolidated into the Group Financial Statements as a subsidiary with a corresponding non-controlling interest on the basis that the Company is commercially dependant on Finsbury Food Group Plc. Philippe Stretz through Phaste EURL is the owner of the remaining 15%.

New and Upcoming Standards

The following new standards, new interpretations and amendments to standards and interpretations are applicable for the first time for the financial year ended 2 July 2022.

- Amendments to IFRS 7, IFRS 4, and IFRS 16 – Interest rate benchmark reform – Phase 2 (effective 1 January 2021);
- Amendments to IFRS 4 Insurance Contracts – Deferral of IFRS 9 (effective 1 January 2021); and
- Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions extension of the practical expedient (effective 1 April 2021).

None of the amendments to the above standards had a material impact on the Financial Statements.

There are a number of new standards, interpretations and amendments to existing standards that are not yet effective and have not been adopted early by the Group. The future introduction of these standards is not expected to have a material impact on the Financial Statements of the Group.

- Amendments to IAS 1 – Presentation of Financial Statements on Classification of Liabilities (effective 1 January 2023).

Work will continue in the new financial year to assess the impact of the new standards and interpretations on the Group's Financial Statements.

Business Combinations

The acquisition method of accounting is used in accounting for the acquisition of businesses. In accordance with IFRS 3 Business Combinations, the assets and liabilities of the acquired entity are measured at fair value. When the initial accounting for a business combination is determined provisionally, any adjustments to the provisional values allocated are made within twelve months of the acquisition date and are affected from the date of acquisition.

Change in Ownership Interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Finsbury Food Group Plc.

When the Group ceases to consolidate or equity account for an investment because of loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in the profit or loss. The fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit and loss.

If ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in the other comprehensive income are reclassified to profit and loss where appropriate.

Foreign Currency

Transactions in foreign currencies are translated to Sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the period end date are retranslated to Sterling at the foreign exchange rate ruling at that date.

Any exchange differences arising on the settlement of monetary items, or on translating monetary items at rates different from those at which they were initially recorded are recognised in the Consolidated Statement of Comprehensive Income in the period in which they arise.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Sterling, at foreign exchange rates ruling at the period end date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Notes to the Consolidated Financial Statements/Continued

1. Significant Accounting Policies/Continued

Derivative Financial Instruments

The Group has derivative financial instruments in respect of interest rate swaps and foreign exchange hedges. The Group does not hold derivative financial instruments for trading purposes. The existing interest rate swaps and foreign exchange hedges used by the Group while they function as hedges, do not meet the criteria for hedge accounting set out by IFRS 9, and have thus been treated as financial assets and liabilities which are carried at their fair value in the Consolidated Statement of Financial Position. Fair value is deemed to be market value, which is provided by the counterparty at the year end date.

Changes in the market value of interest rate swaps have been recognised through the Consolidated Statement of Comprehensive Income as finance income or cost. Changes in the market value of foreign exchange hedges have been recognised through the Consolidated Statement of Comprehensive Income within administrative costs.

Non-Derivative Financial Instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Unless otherwise indicated, the carrying amounts of the Group's financial assets and liabilities are a reasonable approximation of their fair values.

Trade and Other Receivables

The value of trade and other receivables is the amount that would be received if the receivable was paid on the period end date which is a close approximation to amortised cost.

Trade and Other Payables

The value of trade and other payables is the value that would be payable to settle the liability at the period end date.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances. Bank overdrafts that are repayable on demand and which form an integral part of the Group's cash management are included as a component of cash and cash equivalents.

Interest-Bearing Borrowings

Interest-bearing borrowings are stated at amortised cost using the effective interest method.

Property, Plant and Equipment**Recognition and Measurement**

Items of property, plant and equipment are measured at cost or fair value at the date of acquisition, less accumulated depreciation and impairment provisions. Costs include expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour and any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Depreciation

Depreciation is provided to write off the cost, less estimated residual value, of the property, plant and equipment by equal instalments over their estimated useful economic lives to the Consolidated Statement of Comprehensive Income. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The depreciation rates used are as follows:

Freehold buildings	2%-20%	Plant and equipment	10%-33%
Leasehold property	Up to the remaining life of the lease	Assets under construction	Nil
Fixtures and fittings	10%-33%	Motor vehicles	25%-33%

Impairment reviews of fixed assets are undertaken if there are indications that the carrying values may not be recoverable.

Notes to the Consolidated Financial Statements/Continued

1. Significant Accounting Policies/Continued

Leases

The Company leases various land and buildings, fork lift trucks and equipment. Rental contracts are typically made for fixed periods of between two months and eighteen years but may have extension options.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Company is a lessee and for which it has major leases, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Leased assets may not be used as security for borrowing purposes. Until the 2019 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 30 June 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Company under residual value guarantees;
- The exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease.

If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Low-value assets comprise small items of warehouse equipment and office equipment.

Notes to the Consolidated Financial Statements/Continued

1. Significant Accounting Policies/Continued

Intangible Assets and Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is not amortised but is tested annually for impairment. Intangible assets are capitalised separately from goodwill as part of a business combination, only if the fair value can be measured reliably on initial recognition and if the future economic benefits are expected to flow to the Group. All intangible assets recognised are considered to have finite lives and are amortised on a straight-line basis over their estimated useful economic lives that range from 15 to 20 years. Goodwill arises when the fair value of the consideration for the business exceeds the fair value of the net assets acquired. Where the excess is negative (negative goodwill), the amount is taken to retained earnings. Goodwill is capitalised and subject to impairment reviews both annually and where there are indications that the carrying value may not be recoverable.

Impairment

The carrying amounts of the Group's intangible assets and goodwill are reviewed at each period end date to determine whether there is an indication of impairment. Intangible assets and goodwill are considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill and intangible assets that have an indefinite useful life, the recoverable amount is estimated at each period end date.

An impairment loss would be recognised whenever the carrying amount of an intangible asset, goodwill or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the Consolidated Statement of Comprehensive Income.

Calculation of Recoverable Amount

The recoverable amount is the greater of the asset's fair value less costs to sell and its value in use. In assessing an asset's value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined on the first-in first-out basis, and includes all direct costs incurred and attributable production overheads. Net realisable value is based upon estimated selling price allowing for all further costs of completion and disposal. Specific provisions are made against old and obsolete stock taking the value to zero or an estimated reduced value based on the most likely route for disposal of each particular item of stock.

Employee Benefits

Defined Benefit Plans

Memory Lane Cakes Limited operates a Defined Benefit Pension Scheme and the pension costs are charged to the Consolidated Statement of Comprehensive Income in accordance with IAS 19 (revised), with current and past service cost being recognised as an administrative expense, interest on assets and liabilities is shown as finance income or a finance cost in the Consolidated Statement of Comprehensive Income. The remeasurements are recognised in full in Other Comprehensive Income (see Note 14).

Defined Contribution Plans

The costs of contributing to defined contribution and personal pension Schemes are charged to the Consolidated Statement of Comprehensive Income as an administrative expense in the period to which they relate.

Share-Based Payment Transactions

The value, as at the grant date, of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted.

Revenue

Revenue is measured at the fair value of consideration received or receivable excluding value added tax, trade discounts, transactions with or between subsidiaries and less the cost of price promotions and sales related rebates known as over-riders. Revenue represents the amounts derived from the sale of bakery products.

Revenue is recognised when the single performance obligation has been satisfied and this is when goods (bakery products) are transferred to the customer which takes place upon delivery of agreed goods to the customer.

Delivery occurs when the goods have been despatched to an agreed specific location or have been directly receipted by the customer and removed from an operational site by them. At this stage the risks of obsolescence and loss have been transferred to the customer, as it is deemed that the customer has accepted the products in accordance with the specific sales agreement for those goods.

Price promotions, sales related rebates and returns are provided for as a reduction to revenue recognised based on management's best estimate of the amount required to meet claims by customers, taking into account contractual and legal obligations which are typically known, historical trends and accumulated past experience.

A receivable is recognised on the delivery of goods as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Notes to the Consolidated Financial Statements/Continued

1. Significant Accounting Policies/Continued

Segmental Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All segments' operating results are reviewed regularly by the Group's Board of Directors. The Group's Chief Operating Decision Maker is considered to be the Board.

Licence Fees

Payments made for licence fee charges are recognised under cost of sales in the Consolidated Statement of Comprehensive Income in the period to which they relate. Any charges relating to future years are deferred and recognised in the Consolidated Statement of Comprehensive Income under cost of sales over the life of the contract.

Finance Income and Cost

Finance costs comprise loan interest payable, interest payable and finance charges on lease liabilities recognised using the effective interest method, unwinding of the discount on provisions and deferred consideration, interest on the net Defined Benefit Pension plan position and adverse changes in the fair value of interest rate swaps.

Finance income comprises interest receivable on funds invested and favourable changes in the fair value of interest rate swaps. Interest income is recognised in the Consolidated Statement of Comprehensive Income as it accrues, using the effective interest method.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the period end date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

- The initial recognition of goodwill;
- The initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination; and
- The differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the period end date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Research and Development Expenditure

The expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the Consolidated Statement of Comprehensive Income as incurred.

Notes to the Consolidated Financial Statements/Continued

2. Revenue and 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 Financial Statements.

The UK bakery segment manufactures and sells bakery products to UK grocery and foodservice 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 foodservice sectors. It comprises Lightbody Europe SAS and Ultraeuropa SP.z.o.o., Ultraeuropa has manufacturing facilities in Poland where it manufactures and sells Free From bakery products into the European markets.

The UK bakery segment also made sales directly to overseas markets.

Revenue	UK bakery		Overseas		Total Group	
	2022 £000	2021 £000	2022 £000	2021 £000	2022 £000	2021 £000
53 weeks to 2 July 2022 and 52 weeks to 26 June 2021						
Total	306,650	273,633	50,158	39,625	356,808	313,258

Reportable Segments	53 weeks to 2 July 2022 £000	52 weeks to 26 June 2021 £000
Revenue UK bakery	306,650	273,633
Revenue overseas	50,158	39,625
Total revenue	356,808	313,258
Adjusted operating profit UK bakery	14,897	13,609
Adjusted operating profit overseas	2,910	2,491
Total adjusted operating profit	17,807	16,100
Significant non-recurring impairment	-	-
Significant non-recurring other	(1,898)	958
Defined Benefit Pension Scheme	417	473
Fair value foreign exchange contracts	(821)	696
Operating profit	15,505	18,227
Finance income	-	89
Finance expense	(1,208)	(1,303)
Net finance cost	(1,208)	(1,214)
Profit before taxation	14,297	17,013
Taxation	(2,709)	(3,368)
Profit for the financial year	11,588	13,645

The Group has two customers (2021: three) which individually account for 10% or more of the Group's total revenue. These customers individually account for 24% and 12%. In the prior year three customers accounted for 23%, 12% and 10% of the revenue in the 52 weeks to 26 June 2021.

Other Segment Information	53 weeks to 2 July 2022 £000	52 weeks to 26 June 2021 £000
Assets UK bakery	225,816	213,791
Assets overseas	17,113	15,145
Liabilities UK bakery	(109,289)	(103,541)
Liabilities overseas	(14,786)	(12,124)
Depreciation UK bakery	8,486	8,060
Depreciation overseas	907	927
Amortisation UK bakery	1,547	1,817
Amortisation overseas	-	-

Notes to the Consolidated Financial Statements/Continued

3. Administrative Expenses and Auditors' Remuneration

Included in profit are the following:

	2022 €000	2021 €000
Amortisation of intangibles	1,547	1,817
Depreciation of owned tangible assets	7,407	7,235
Depreciation on right-of-use assets	1,986	1,752
Impairment of fixed assets	-	167
Loss on disposal of property, plant and equipment	347	145
Loss on foreign exchange	213	235
Variable lease payments	267	203
Expenses relating to short-term and low-value leases	23	51
Movement on fair value of foreign exchange contracts	821	(696)
Research and development	1,566	2,124
Share option charges	1,524	1,001
Auditors' remuneration:		
	2022 €000	2021 €000
Audit of these Financial Statements	55	50
Audit of the Financial Statements of subsidiaries of the Company	144	133
Other services	181	41

Other services relate to aborted acquisition advice and assistance with non-UK VAT registrations.

4. Significant Non-Recurring Items

The Group presents certain items as significant and non-recurring. 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. They reflect costs that will not be repeated and therefore do not reflect ongoing trading of business which is most meaningful to users.

Included within significant non-recurring items shown in the table on page 40 of the Financial Review section are the following costs:

	2022 €000	2021 €000
Acquisition costs	(1,601)	-
Litigation and legal costs	(858)	(388)
Disposal and impairment of fixed assets (refer to Note 12)	(284)	(167)
Release of site closure costs provision	795	1,340
Other reorganisation people costs	50	173
	(1,898)	958

Acquisition costs are those associated with an aborted acquisition during the year. Litigation and legal costs of €0.9 million (2021: €0.4 million) are in relation to a dispute over the consideration paid for an earlier year acquisition and costs of €0.3 million (2021: €0.2 million) relating to fixed assets disposals in the current year and final impairment of assets at Cardiff in the prior year.

The release of site closure provisions of €0.7 million (2021: €0.8 million) relating to lease costs that have been avoided due to successful re-letting of closed site units plus a release of €0.1 million (2021: €0.4 million) of related site closure costs and €0.1 million (2021: €0.2 million) of unused reorganisation provisions.

Notes to the Consolidated Financial Statements/Continued

5. Staff Numbers and Costs

The monthly average number of persons employed by the Group including Directors and excluding agency staff during the year, analysed by category, was as follows:

	Number of employees	
	2022	2021
Production	2,574	2,659
Selling and distribution	245	150
Administration, technical, new product development	485	399
	3,304	3,208

The aggregate payroll costs of these persons were as follows:

	2022 £000	2021 £000
Wages and salaries	87,194	78,944
Share option charges	1,524	1,001
Social security costs	8,539	7,596
Charge in respect of defined contribution pension plans	2,405	2,085
	99,662	89,626

6. Remuneration of Directors

	2022 £000	2021 £000
Fees	265	253
Executive salaries	1,488	748
	1,753	1,001

The aggregate of emoluments and amounts receivable under long-term incentive schemes of the highest paid Director was £873,000 (2021: £438,000), there were no Company pension contributions made to a Defined Contribution Scheme during the current or prior year. Bonuses of £428,000 were paid in the current year (2021: nil).

There were nil (2021: nil) share options exercised in the period by the highest paid Director.

There were no retirement benefits accruing to Directors during the current or previous year.

The emoluments paid to Directors were as follows:

	Fees £000	Salary £000	Benefits £000	Annual bonus £000	Year ended 2 July 2022 £000	Year ended 26 June 2021 £000
P Baker	96	-	-	-	96	85
R Beveridge	55	-	-	-	55	55
S A Boyd	-	304	11	300	615	310
J G Duffy	-	434	11	428	873	438
R P E Duignan	58	-	-	-	58	58
M J Millard	56	-	-	-	56	55
	265	738	22	728	1,753	1,001

During the year awards over 796,858 shares under the long-term incentive plan (LTIP) were granted to Directors in the form of nil cost options (2021: 1,200,346). The vesting of the awards is conditional upon performance conditions over a three-year period commencing 27 June 2021 and are subject to a further two-year holding period.

Notes to the Consolidated Financial Statements/Continued

6. Remuneration of Directors/Continued

Directors' rights to subscribe for shares in the Company are listed below:

	Number of options at 2 July 2022	Number of options at 26 June 2021	Exercise price	Earliest exercise date	Exercise expiry date
S A Boyd	476,364	476,364	nil	01/07/2020	04/12/2025
S A Boyd	395,365	395,365	nil	28/10/2022	28/10/2029
S A Boyd	266,094	438,015	nil	03/07/2024	28/10/2029
S A Boyd	494,458	494,458	nil	01/07/2025	22/10/2030
S A Boyd	328,250	-	nil	30/06/2026	01/11/2031
J G Duffy	655,614	655,614	nil	01/07/2020	04/12/2025
J G Duffy	548,780	548,780	nil	03/07/2024	28/10/2029
J G Duffy	379,876	625,310	nil	01/07/2025	22/10/2030
J G Duffy	705,888	705,888	nil	30/06/2026	01/11/2031
J G Duffy	468,608	-	nil	01/07/2020	04/12/2025
	4,719,297	4,339,794			

The mid-market price of the ordinary shares on 2 July 2022 was 68.0p (2021: 92.5p) and the range during the 53-week period to 2 July 2022 was 66.5p to 102.0p (2021: 51.2p to 96.0p).

7. Finance Income and Cost

Recognised in the Consolidated Statement of Comprehensive Income

	2022 £000	2021 £000
Finance income		
Change in fair value of interest rate swaps	-	89
Total finance income	-	89
Finance cost		
Interest on net pension position	(285)	(224)
Interest on interest rate swap agreements	(43)	(119)
Bank interest payable	(531)	(545)
Unwinding of discount on deferred consideration	(54)	(105)
Interest on deferred consideration	(18)	(36)
Change in fair value of interest rate swaps	(18)	-
Lease liabilities	(259)	(274)
Total finance cost	(1,208)	(1,303)

Notes to the Consolidated Financial Statements/Continued

8. Taxation

Recognised in the Consolidated Statement of Comprehensive Income

	2022 £000	2021 £000
Current tax		
Current year	2,137	3,277
Adjustments for prior years	(148)	(263)
Total current tax	1,989	3,014
Deferred tax		
Origination and reversal of temporary differences	646	95
Rate change	(209)	252
Adjustments for prior years	283	7
Total deferred tax	720	354
Total tax expense	2,709	3,368

Reconciliation of Effective Tax Rate

The weighted average hybrid rate of UK, Polish and French tax is 19.5% (2021: 20.5%). The tax assessed for the period is lower (2021: lower) than the hybrid rate of UK and French tax. The UK Corporation Tax rate for the period is 19% (2021: 19%). The differences are explained below:

	2022 £000	2021 £000
Profit before taxation	14,297	17,013
Tax using the UK Corporation Tax rate of 19%, (2021: 19%)	2,716	3,232
Overseas profits charged at different taxation rate	265	151
Non-deductible expenses and timing differences	88	480
Restatement of opening net deferred tax due to rate change and differences in rates	91	298
R&D reclaim	(586)	(537)
Adjustments to tax charge in respect of prior periods	135	(256)
Total tax expense	2,709	3,368

The UK Corporation Tax rate increase from 19% to 25% from 1 April 2023 was substantively enacted in March 2021, this decision has been reversed after the preparation of these Financial Statements, at the mini-budget on 23 September 2022. The deferred tax assets and liabilities at 2 July 2022 have been calculated based on a rate at which they were expected to crystallise which is likely to be 19% or 25%.

The adjustment of £135,000 for the prior year includes ineligible capital spends and disallowable expenses being different to the assumed levels at the time of preparation of the Annual Report.

The Company has an unrecognised deferred tax asset of £239,000 (2021: £239,000) relating to capital losses carried forward. This asset has not been recognised in the Financial Statements as it is not expected that suitable gains will arise in the future in order to utilise the underlying capital losses.

9. Earnings Per Ordinary Share

Basic earnings per share for the period is calculated on the basis of profit for the year after tax, divided by the weighted average number of shares in issue being 124,265,000 (2021: 125,805,000).

Basic diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all potential dilutive ordinary shares. At 2 July 2022, the diluted weighted average number of shares in issue was 132,352,000 (2021: 132,753,000).

An adjusted earnings per share has been calculated to show the trading performance of the Group. These adjusted earnings per share exclude:

- Reorganisation and other significant non-recurring items;
- IFRS 9 'Financial Instruments: Recognition and Measurement' fair value adjustment relating to the Group's interest rate swaps and foreign exchange contracts;
- IAS 19 (revised) 'Accounting for Retirement Benefits' relating to net income;
- The taxation effect at the appropriate rate on adjustments; and
- Amortisation of intangible assets.

Notes to the Consolidated Financial Statements/Continued

9. Earnings Per Ordinary Share/Continued

	53 weeks to 2 July 2022 €000		52 weeks to 26 June 2021 €000	
Profit				
Profit attributable to equity holders of the Company (basic)	10,472		12,347	
Significant non-recurring and other items	2,318		(1,514)	
Intangible amortisation net of deferred tax	574		574	
Numerator for adjusted earnings per share calculation (adjusted basic)	13,364		11,407	
	Basic '000	Diluted '000	Basic '000	Diluted '000
Shares				
Weighted average number of ordinary shares in issue during the period	124,265	124,265	125,805	125,805
Dilutive effect of share options	-	8,087	-	6,948
	124,265	132,352	125,805	132,753
	Basic pence	Diluted pence	Basic pence	Diluted pence
Earnings per share				
Basic and diluted	8.4	7.9	9.8	9.3
Adjusted basic and adjusted diluted	10.8	10.1	9.1	8.6

Significant non-recurring and other items net of taxation are tabled in the Strategic Report on page 40 and comprise: significant non-recurring charge €1,700,000 (2021: income €776,000), Defined Benefit Pension Scheme income €99,000 (2021: €187,000), fair value of interest rate swaps, foreign exchange contracts charge €673,000 (2021: income €636,000), and the unwinding of deferred consideration discounting charge €44,000 (2021: €85,000).

10. Intangibles

Intangible assets comprise customer relationships, brands and goodwill.

	Goodwill €000	Business systems €000	Brands and licences €000	Customer relationships €000	Total €000
Cost at 27 June 2020	85,004	10,177	3,683	7,630	106,494
Additions	-	1,045	-	-	1,045
Transfers from tangible fixed assets	-	165	-	-	165
Cost at 26 June 2021	85,004	11,387	3,683	7,630	107,704
Additions	-	802	-	-	802
Transfers from tangible fixed assets	-	81	-	-	81
Cost at 2 July 2022	85,004	12,270	3,683	7,630	108,587
Accumulated amortisation at 27 June 2020	(11,790)	(1,851)	(1,645)	(2,582)	(17,868)
Charge for the year	-	(1,108)	(143)	(566)	(1,817)
Accumulated amortisation at 26 June 2021	(11,790)	(2,959)	(1,788)	(3,148)	(19,685)
Charge for the year	-	(838)	(143)	(566)	(1,547)
Accumulated amortisation at 2 July 2022	(11,790)	(3,797)	(1,931)	(3,714)	(21,232)
Net book value at 27 June 2020	73,214	8,326	2,038	5,048	88,626
Net book value at 26 June 2021	73,214	8,428	1,895	4,482	88,019
Net book value at 2 July 2022	73,214	8,473	1,752	3,916	87,355

The customer relationships, brands and licences recognised in the opening costs were purchased as part of the Ultrapharm acquisition in September 2018 and the acquisition of Fletchers Group of Bakeries in October 2014. They are considered to have finite useful lives and are amortised on a straight-line basis over their estimated useful lives of twenty years for brands and between ten and fifteen years for customer relationships. The intangibles were valued using an income approach, using multi-period excess earnings method for customer relationships and Relief from Royalty Method for brand valuation. The amortisation of intangibles has been charged to administrative expenses in the Consolidated Statement of Comprehensive Income. The business systems are considered to have finite useful lives and are amortised on a straight-line basis over their estimated useful lives of ten years.

Notes to the Consolidated Financial Statements/Continued

10. Intangibles/Continued

Goodwill has arisen on acquisitions and reflects the future economic benefits arising from assets that are not capable of being identified individually and recognised as separate assets. The goodwill reflects the anticipated profitability and synergistic benefits arising from the enlarged Group structure. The goodwill is the balance of the total consideration less fair value of assets acquired and identified. The carrying value of the goodwill is reviewed annually for impairment. The carrying value of all goodwill has been assessed during the year.

The Group tests goodwill for impairment on an annual basis, or more frequently if there are indications that the goodwill may be impaired. The recoverable amounts of the cash generating units are determined from value in use calculations. The key assumptions for the value in use calculations are the discount, inflation and growth rates used for future cash flows and the anticipated future changes in revenue, direct costs and indirect costs. The assumptions used reflect the past experience of management and future expectations.

In the current climate in which we navigate well-publicised macro challenges, relevant judgements and assumptions must be made. The Group continues to operate in a complex trading environment with pressure from inflation, supply chain disruptions, labour availability impacted by the pandemic, political, economic and legislative changes and economic factors linked to the ongoing conflict in Ukraine. The conflict between Russia and Ukraine continues to develop and is likely to have a broad impact on the global economy.

Forecasts have been built on a bottom-up basis and stress tested to prepare an approved budget used as a basis for considering testing for impairment. Risks and opportunities have been considered and, plausible downside scenarios have been assessed.

The forecasts have taken in consideration the following key factors:

1. Ongoing challenging macro environment.
2. Latest market forecast and market research data has been considered when making commercial judgements.
3. Detailed SWOT analysis of all businesses with a strategic plan to respond to challenges.
4. Plans to combat inflationary pressures particularly labour costs in the UK and Europe.
5. Detailed plans supporting strategic initiatives and strategy into action with continued focus in the Operating Brilliance Programme, Process Blueprint, value engineering, asset management and care.
6. Organisational design and engagement activity to provide bakery teams to support our strategy.

The forecasts covering a three-year period are based on the detailed financial forecasts challenged and approved by management for the next three years. The cash flows beyond this forecast are extrapolated to perpetuity using a 1.63% (2021: 1.5%) growth rate for all of the CGUs. Changes in revenue and direct costs in the detailed three-year plan are based on past experience and expectations of future changes in the market to the extent that can be anticipated.

The strategic forecast process commenced in November 2021 to review consumer and competitor insight to prepare the foundations for the financial forecasts. The revenue growth rate in the strategic forecast combines volume, mix and price of products. An inflation factor has been applied to costs of sales, variable costs and indirect costs and takes into consideration the general rate of inflation, movements in commodities, improvement in efficiencies from capital investment and operations and purchasing initiatives. External market data and trends are considered when predicting growth rates. Compound annual growth rates for revenues for the three-year forecast period averages at 7.4% reflecting the recovery from the lower-base year impacted by the pandemic, inflationary pressures impacting consumer demand, a challenging environment with staff shortages and supply chain disruption. The forecast periods include the annualisation of commercial negotiations, benefits of our ongoing Operating Brilliance Programme and organic growth.

A post-tax discount rate of 7.9% (2021: 8.2%) has been used in these calculations. The discount rate uses weighted average cost of capital which reflects the returns on government bonds and an equity risk premium adjusted specifically for Finsbury, plus further risk premiums that consider cash generating unit risk. The Group has considered the economic environment and higher level of return expected by equity holders due to the perceived risk in equity markets when selecting the discount rate. The discount rate has decreased over the prior year rate as a result of a higher debt to equity ratio position and a decrease in the risk-free rate. The discount rate used for each cash generating unit has been kept constant as the market risk is deemed not to be materially different between the different segments of the bakery sector, nor over time. When considering the Ultrapharm discount rate a further 0.5% has been added for the overseas risk element.

Notes to the Consolidated Financial Statements/Continued

10. Intangibles/Continued

The table below shows the carrying values of goodwill allocated to cash generating units or groups of cash generating units. When calculating the discount rate that would need to be applied for there to be zero headroom, the discounted cash flows were compared against the carrying amount of goodwill, property, plant and equipment and right-of-use assets. The discount rates are shown in the table below:

	Carrying value of goodwill		Post-tax discount rate at which headroom is nil		Pre-tax discount rate at which headroom is nil	
	2022 €000	2021 €000	2022 %	2021 %	2022 %	2021 %
Lightbody of Hamilton	45,698	45,698	22.5	17.2	29.9	22.9
Fletchers Bakery	20,118	20,118	16.0	12.9	21.4	17.2
Ultrapharm	4,046	4,046	12.5	9.6	16.7	12.8
Nicholas and Harris	2,980	2,980	37.2	44.3	49.6	59.1
Johnstone's Food Service	372	372	135.1	122.8	180.1	163.7
	73,214	73,214				

Impairment

The post-tax discount rate at which the headroom is nil for Fletchers Bakery is 16.0% (2021: 12.9%) an improvement over the previous year. There are key strategies and plans in place in order to improve the performance of Fletchers. With our development, technical and process knowledge we can enable them to become a leading player in the buns and rolls category and our scale, new product development and continued good relationships with our foodservice customers enables us to target growth. Unprecedented inflation and workforce availability have been key challenges to address, our improved efficiencies, our focus on realising Fletchers as a centre of excellence for the buns and rolls, our continued success on our Operating Brilliance Programme and our focus on our Strategic Pillar for Growth has enabled us to overcome the challenges. Development of our own Kara foodservice brand, new product development and investment in core product areas stands us in good stead to deliver our financial forecasts. Sensitivities have been carried out to exclude any growth, which, demonstrates that headroom still exists. It has been concluded that no impairment was necessary on the carrying value of goodwill relating to the Fletchers Bakery at 2 July 2022.

The post-tax discount rate at which the headroom is nil for Ultrapharm is 12.5% (2021: 9.6%). There are key strategies in place in order to improve the performance of Ultrapharm. There has been successful new product development during the year, the proven innovation delivery in the current year provides a solid springboard for growth throughout the strategic periods as we benefit from the annualisation of those launches. Targeted new product development and a better understanding of intellectual property will continue with new products being launched in the year to 1 July 2023. Avian flu and the Ukraine conflict have had an adverse impact on input prices, however commercial negotiations, value engineering projects, continued drive in our Operating Brilliance Programme and cost saving activities have been successful in minimising the impact of these pressures. For our overseas subsidiary home market growth is targeted along with newly formed branded relationships, which will help leverage our available capacity. Sensitivities have been carried out. It has been concluded that no impairment was necessary on the carrying value of goodwill relating to Ultrapharm at 2 July 2022.

Sensitivity analyses have been carried out by the Directors on the carrying value of all remaining goodwill using post-tax discount rates up to 12.5%, which would not result in an impairment.

Further sensitivity analysis has been carried out using a range of factors such as growth rate and cost increases, which would not result in an impairment. These include:

- If future growth rate assumption of 1% was replaced with zero growth rate; and
- If future growth rate assumption of 1% was replaced with a decline of 1%.

The period under review has been set against the backdrop of exceptional macroeconomic and inflationary headwinds and the Group has been faced with unprecedented challenges first triggered by the Covid-19 crisis and now by significant input cost inflation and falling consumer confidence. Despite this, the overall demand for food and drink has remained resilient. Our retail business has performed well, we continue to see a bounce back in foodservice, our overseas division continued to see strong growth and, our proven resilience and performance enables us to remain confident in our strategic plans.

Notes to the Consolidated Financial Statements/Continued

11. Leases

The Group adopted IFRS 16 from 30 June 2019 using the modified retrospective approach. Under IFRS 16 the previous operating leases charge has been replaced by the depreciation on the right-of-use asset and interest on the lease liability. The Group leases many assets including land and buildings, vehicles, machinery and equipment.

Amounts recognised in the Consolidated Statement of Financial Position

Property, plant and equipment comprises owned and leased assets that do not meet the definition of investment property.

	Note	2 July 2022 €000	26 June 2021 €000
Property, plant and equipment owned	12	53,221	49,432
Right-of-use assets	12	9,451	9,583
		62,672	59,015

Right-Of-Use Assets

	Property €000	Plant, equipment and vehicles €000	Total €000
Balance at 26 June 2021	9,158	1,613	10,771
Additions	-	1,902	1,902
Disposals	-	(49)	(49)
Depreciation charge for the year	(1,362)	(624)	(1,986)
Balance at 2 July 2022	7,796	2,842	10,638

Lease Liabilities

	At 2 July 2022 €000	At 26 June 2021 €000
Lease liability recognised	9,917	10,745
Current lease liability	1,805	2,039
Non-current lease liability	8,112	8,706

Amounts recognised in the Consolidated Statement of Comprehensive Income

	At 2 July 2022 €000	At 26 June 2021 €000
Interest on lease liabilities	(259)	(274)
Variable lease payments not included in the measurement of lease liabilities	(267)	(203)
Expenses relating to short-term leases	(13)	(36)
Expenses relating to low-value assets, excluding short-term leases of low-value assets	(10)	(14)

Amounts recognised in Cash Flow Statement

	At 2 July 2022 €000	At 26 June 2021 €000
Total cash outflow for lease rentals	2,275	2,789

Prior Year Restatement

The lease cash flows have been corrected in the prior year cash flow statement and reclassified in total from operating cash flows to financing cash flows.

Notes to the Consolidated Financial Statements/Continued

12. Property, Plant and Equipment

	Land and buildings €000	Plant and equipment €000	Fixtures and fittings €000	Assets under construction €000	Total €000
Cost					
Balance at 28 June 2020	36,851	87,921	5,689	1,056	131,517
Exchange adjustments	(138)	(65)	(218)	139	(282)
Additions	3,295	2,825	252	674	7,046
Disposals	(225)	(2,143)	-	-	(2,368)
Transfers	159	(244)	(70)	(10)	(165)
Balance at 27 June 2021	39,942	88,294	5,653	1,859	135,748
Exchange adjustments	(67)	(137)	(7)	(1)	(212)
Additions	347	12,369	480	449	13,645
Disposals	(87)	(3,252)	(392)	-	(3,731)
Transfers	-	(81)	-	-	(81)
Balance at 2 July 2022	40,135	97,193	5,734	2,307	145,369
Accumulated depreciation and impairment					
Balance at 28 June 2020	(11,636)	(53,623)	(4,522)	-	(69,781)
Exchange adjustments	-	(29)	-	-	(29)
Depreciation charge for the financial period	(2,059)	(6,589)	(339)	-	(8,987)
Impairment (Note 4)	-	(167)	-	-	(167)
Disposals	157	2,066	-	-	2,223
Transfers	205	(261)	64	-	8
Balance at 27 June 2021	(13,333)	(58,603)	(4,797)	-	(76,733)
Exchange adjustments	17	22	6	-	45
Depreciation charge for the financial period	(2,132)	(6,995)	(266)	-	(9,393)
Disposals	30	2,962	392	-	3,384
Balance at 2 July 2022	(15,418)	(62,614)	(4,665)	-	(82,697)
Net book value					
At 28 June 2020	25,215	34,298	1,167	1,056	61,736
At 27 June 2021	26,609	29,691	856	1,859	59,015
At 2 July 2022	24,717	34,579	1,069	2,307	62,672

Security

HSBC Bank Plc, HSBC Asset Finance (UK) Limited, HSBC Equipment Finance (UK) Limited and HSBC Corporate Trustee Company (UK) Limited have debentures incorporating fixed and floating charges over the undertaking and all property and assets including goodwill, book debts, uncalled capital, buildings, fixtures, fixed plant and machinery. Hire purchase obligations are secured on the underlying assets.

The lease obligations are secured on leased equipment (see Note 18).

Notes to the Consolidated Financial Statements/Continued

13. Other Financial Assets and Liabilities

	2022 €000	2021 €000
Current assets – derivatives		
Fair value of foreign exchange contracts	20	405
Total of derivatives with positive fair values	20	405
Current liabilities – derivatives		
Fair value of interest rate swaps	(139)	(121)
Fair value of foreign exchange contracts	(436)	-
Total of derivatives with negative fair values	(575)	(121)

Interest Rate Swaps at Fair Value

The Company has a five-year swap from 3 July 2017 with a coverage of €20.0 million fixed at a rate of 0.455% expiring at the year end date and during the year the Company held a three-year swap from 28 March 2019 with a coverage of €5.0 million fixed at a rate of 1.002%. There was 72% coverage at year end (2021: 111%).

A forward-dated swap €10.0 million from 3 July 2022 until 10 June 2027 (fixed) at 2.589% was taken out to limit the risk associated with the variable rate liabilities. The interest rates for the forward-dated swap is fixed at 2.589% for €10.0 million.

There was €20.0 million coverage in place at the year end (2021: €25.0 million).

A charge of €18,000 (2021: income of €89,000) is shown in the finance income for the period reflecting changes in the fair values of interest rate swaps.

Forward Foreign Exchange Contracts at Fair Value

The Group has entered into a number of forward foreign exchange contracts to minimise the impact of fluctuations in exchange rates. An income of €821,000 (2021: charge €696,000) is shown in administrative expenses for the period reflecting changes in their fair value.

14. Pension Schemes

A number of companies within the Group operate Defined Contribution Pension Schemes with one company also operating a Defined Benefit Scheme.

Defined Contribution Scheme

The Group made contributions in respect of its Defined Contribution Pension arrangements of €2,405,000 (2021: €2,085,000).

Defined Benefit Scheme

The Group's Defined Benefit Scheme is the Memory Lane Cakes Pension Scheme, which is a separately administered plan. At the financial year end, the Scheme had no active members accruing benefits (2021: nil), 147 deferred pensioner members (2021: 157) and 239 pensioner members (2021: 235).

The Scheme was closed to future accrual on 31 May 2010. The assets of the Scheme are held separately from those of the Company. The amounts in the Financial Statements for the 53 weeks ended 2 July 2022 relating to Defined Benefit Pension are based on a full actuarial valuation dated 31 December 2018.

A €417,000 contribution was paid during the financial year by Memory Lane Cakes Limited (2021: €490,000). The Group's contribution has been agreed based on the outcome of the full actuarial valuation dated 31 December 2018. The valuation of the Scheme on an equity/bond basis and projected unit method, showed that there was a deficit at 31 December 2018 of €12,742,000 equivalent to a 42% deficit of liabilities over assets. The valuation was conducted by a qualified independent actuary. An Asset Backed Contribution arrangement was entered into effective 18 May 2022 with the first payment under the new loan facility arrangement due on 5 July 2022 with a defined income return to the Scheme over a period of 20 years at a rate of €763,000 per annum. The next full valuation is being prepared as at 31 December 2021.

The present value of the Company's committed deficit reduction contributions does not give rise to a net pension asset or additional Consolidated Statement of Financial Position liability in accordance with IFRIC 14.

The investments are managed by a fiduciary investment manager River and Mercantile, who was appointed as fiduciary manager in December 2018. A Statement of Investment Principles (SIP) in compliance with the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005 was agreed in January 2019. All of the Scheme's investments meet the criteria detailed in the SIP relevant for the Scheme year to 31 December 2018. The expected return on cash balances held is based on the current Bank of England base rate rather than long-term deposit rates, as cash is held to cover short-term requirements.

Notes to the Consolidated Financial Statements/Continued

14. Pension Schemes/Continued

The full actuarial valuation differs from the financial year end valuation deficit of £6,582,000 (2021: £14,529,000). No allowance is made in the financial year end valuation for any outperformance expected from the Scheme's actual asset holding over and above high-quality corporate bonds.

	2022 £000	2021 £000
Fair value of plan assets	17,317	20,803
Present value of defined benefit obligations	(23,899)	(35,332)
Deficit recognised	(6,582)	(14,529)

The fair value of plan assets and the return on those assets were as follows:

	2022 £000	2021 £000
Multi-asset growth fund	4,947	8,222
Gilts	7,276	5,731
Liability hedging portfolio (gilts/swaps)	2,431	2,505
Other	1,162	1,949
Property	1,011	1,523
Cash	490	873
Fair value of plan assets	17,317	20,803
Actual return on plan assets	3,106	1,551

None of the fair values of the assets shown above includes any of the Company's own financial instruments or any property occupied by, or any other assets used by, the Company.

	2022 £000	2021 £000
Movements in present value of defined benefit obligation		
At beginning of financial year	(35,332)	(34,781)
Past service costs	-	(17)
Interest on plan obligations	(695)	(515)
Benefits paid	797	845
Experience gain	1,309	-
Remeasurement – gain/(loss) from changes to financial assumptions	9,637	(324)
Remeasurement – gain/(loss) from changes to demographic assumptions	385	(540)
At end of financial year	(23,899)	(35,332)

Movements in fair value of plan assets

At beginning of financial year	20,803	19,607
Interest on plan assets	410	291
Return on plan assets less interest	(3,516)	1,260
Benefits paid	(797)	(845)
Contributions by employer	417	490
At end of financial year	17,317	20,803

Remeasurement gains and losses arise due to changes in the key assumptions such as inflation, mortality rates, demographic rates and discount rates as well as experience gains and losses.

Notes to the Consolidated Financial Statements/Continued

14. Pension Schemes/Continued

Expense recognised in the Consolidated Statement of Comprehensive Income

	2022 €000	2021 €000
Past service costs	-	(17)
Interest on plan assets/finance income	410	291
Interest on plan obligations/finance expense	(695)	(515)
Total expense	(285)	(241)

Remeasurement Gains/(Losses) Recognised Directly in Equity in the Statement of Comprehensive Income and Expense since 1 July 2006, the Transition Date to Adopted IFRS

	2022 €000	2021 €000
Cumulative amount at beginning of financial year	(16,545)	(16,941)
Recognised in the financial year – return on plan assets less interest	(3,516)	1,260
Recognised in the financial year – experience gains on liabilities	1,309	-
Recognised in the financial year – gain/(loss) from changes to financial assumptions	9,637	(324)
Recognised in the financial year – gain/(loss) from changes to demographic assumptions	385	(540)
Cumulative amount at end of financial year	(8,730)	(16,545)

Principal Long-Term Actuarial Assumptions at the Year End

	2022 %	2021 %
CPI price inflation assumption	2.80	2.85
Increases to pensions in payment	2.80	2.85
Discount rate for liabilities	3.85	1.95
Rate of return for plan assets	3.85	1.95

The differential between the assumed rate of inflation and the discount rate for liabilities is 1.05% (2021: 0.90%).

Salary inflation assumptions are as determined by the Board with regard to price inflation. The salary inflation from 31 May 2010, when the Scheme closed to future accrual was assumed to be in line with inflation.

The financial assumptions are based on market conditions as at the review date of 2 July 2022, with discount rates based on the yields on long-dated high-quality corporate bonds. The discount rate is higher than the discount rate used last year reflecting the change in bond yields over this period. The rate of return for plan assets is the long-term rate that reflects the yield on high-quality corporate bonds, as required under changes to IAS 19. The rate of return is effectively based on the discount rate with no allowance made for any outperformance expected from the Scheme's actual asset holding. The actual return on the Scheme's assets, net of expenses, over the year to the review date was around negative 15.0% (2021: 8.5%). The actual return has been impacted by the recovery from the worldwide Covid-19 pandemic that has had a profound impact on the economy as countries went into lockdown.

Changing the year end 2022 assumptions to those of 2021 year end listed above, the deficit would have been €16,604,000 compared to the reported deficit of €6,582,000.

	2022	2021
Post-retirement mortality assumption	S3NA tables with CMI 2017 (core parameters) projections and 1.25% pa long-term rate of improvement	S3NA tables with CMI 2017 (core parameters) projections and 1.25% pa long-term rate of improvement

Under the mortality tables adopted, the assumed future life expectancy at age 65 is as follows:

	2022	2021
Male currently at age 45	23.5	24.1
Female currently at age 45	26.1	26.5
Male currently at age 65	22.2	22.7
Female currently at age 65	24.7	25.1
Allowance for GMP equalisation (increase liabilities at the review date by):	1.2%	1.2%

Notes to the Consolidated Financial Statements/Continued

14. Pension Schemes/Continued

Sensitivity Analysis

The calculation of the defined benefit obligation is sensitive to the assumptions set out on the previous page. The following table summarises changes in these assumptions and their approximate (decrease)/increase in liabilities.

	2022
Discount rate plus 0.5%	(£1.6 million)
Discount rate minus 0.5%	£1.8 million
Inflation plus 0.5%	£1.3 million
Inflation minus 0.5%	(£1.1 million)
Life expectancy plus 1.0 years	£0.8 million
Life expectancy minus 1.0 years	(£0.8 million)

The above sensitivities are approximate and only show the likely effect of an assumption being adjusted whilst all other assumptions remain the same.

The weighted average duration of the defined benefit obligation is around 15 years.

Risk Mitigation Strategies

The Scheme's investments include partial interest rate and inflation hedging. All of the Scheme's investments meet the criteria detailed in the SIP relevant for the Scheme year to 31 December 2018.

Effect of the Scheme on the Company's Future Cash Flows

The Company entered into an Asset Backed Contribution (ABC) arrangement on 18 May 2022 to improve the funding of the Scheme. An investment of £16.0 million will be invested by the Company to the Scheme, the trustees have purchased a loan note from the Group via a Scottish Limited Partnership (SLP) structure, which will pay a defined income return to the Scheme over 20 years. The fixed repayment plan amounts to an income of £763,000 being paid to the Scheme annually. The estimated duration of the liabilities is around 15 years.

The projected net interest charge to the Consolidated Statement of Comprehensive Income for the year to 1 July 2023 is £239,000. This projection assumes cash flows to and from the Scheme are broadly unchanged from the current year figures and that there will be no events that would give rise to a settlement/curtailment/past service cost.

Consolidated Statement of Financial Position

	2022 £000	2021 £000	2020 £000	2019 £000	2018 £000
Fair value of plan assets	17,317	20,803	19,607	19,238	18,834
Present value of the defined benefit obligation	(23,899)	(35,332)	(34,781)	(30,550)	(29,370)
Deficit	(6,582)	(14,529)	(15,174)	(11,312)	(10,536)
Experience adjustments on plan assets	(3,516)	1,260	528	384	(779)
as a percentage of plan assets	(20.3%)	6.1%	2.7%	2.0%	(4.1%)
Experience adjustments on plan liabilities	1,309	-	-	1,614	-
as a percentage of plan liabilities	(0.5%)	0.0%	0.0%	(5.3%)	0.0%
Total remeasurement gains/(losses)	7,815	396	(3,806)	(332)	(172)
as a percentage of plan liabilities	(32.7%)	1.1%	10.9%	1.1%	0.6%

The Group has an interest in a partnership, the Finsbury ABC Partnership LP, which is fully consolidated into these Group Financial Statements. The Group has taken advantage of the exemption conferred by regulation 7 of the Partnerships (Accounts) Regulations 2008 and has therefore not appended the accounts of this qualifying partnership to these Financial Statements. Separate accounts of the partnership are not required to be, and have not been, filed at Companies House.

Notes to the Consolidated Financial Statements/Continued

15. Inventories

	2022 £000	2021 £000
Raw materials and consumables	8,332	6,715
Finished goods	14,949	8,312
	23,281	15,027

Inventories Recognised as an Expense

	2022 £000	2021 £000
Opening inventories	15,027	14,618
Purchases	147,795	123,394
(Decrease)/increase in stock provisions	251	(320)
Closing inventories	(23,281)	(15,027)
Expensed during the period	139,792	122,665

Inventories are stated after provisions for impairment of £1,009,000 (2021: £865,000).

16. Trade and Other Receivables

	2022 £000	2021 £000
Trade receivables due from third parties	51,311	45,799
Other debtors	3,639	4,051
Prepayments and accrued income	3,198	1,136
	58,148	50,986

Trade receivables due from third parties are stated after provisions for impairment of £967,000 (2021: £1,094,000).

17. Cash and Cash Equivalents Including Bank Overdrafts

	2022 £000	2021 £000
Cash at bank and on hand	22,915	24,227
Bank overdraft	(15,534)	(14,704)
	7,381	9,523

Notes to the Consolidated Financial Statements/Continued

18. Other Interest-Bearing Loans and Borrowings

This Note provides information about the contractual terms and repayment terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost, using the effective interest rate method.

2022 Statutory	Margin	Frequency of repayments	Year of maturity	Facility £000	Drawn £000	Current £000	Non-current £000
Revolving credit	1.95%/SONIA	Varies	2027	60,000	27,875	-	27,875
Leases*	Various	Monthly	Various		9,917	1,805	8,112
Unamortised transaction costs					(799)	(200)	(599)
					36,993	1,605	35,388

* Leases include all leases recognised as lease liabilities under IFRS 16 (see Note 11). Lease liabilities are shown separately in the table below to show total bank debt as defined by our banking facility agreement, which only recognises leases as defined as finance leases under IAS 17 as part of bank debt.

2022	Margin	Frequency of repayments	Year of maturity	Facility £000	Drawn £000	Current £000	Non-current £000
Revolving credit	1.95%/SONIA	Varies	2027	60,000	27,875	-	27,875
Finance lease (under IAS 17)	Various	Monthly	Various		151	76	75
Unamortised transaction costs					(799)	(200)	(599)
Total bank debt					27,227	(124)	27,351
Operating leases (under IAS 17)	2.2%	Varies			9,766	1,729	8,037
Total debt					36,993	1,605	35,388

2021 Statutory	Margin	Frequency of repayments	Year of maturity	Facility £000	Drawn £000	Current £000	Non-current £000
Revolving credit	1.50%/LIBOR	Varies	2023	55,000	22,431	-	22,431
Leases*	Various	Monthly	Various		10,745	2,039	8,706
Unamortised transaction costs					(108)	-	(108)
					33,068	2,039	31,029

* Leases include all leases recognised as lease liabilities under IFRS 16 (see Note 11). Lease liabilities are shown separately in the table below to show total bank debt as defined by our banking facility agreement, which only recognises leases as defined as finance leases under IAS 17 as part of bank debt.

2021	Margin	Frequency of repayments	Year of maturity	Facility £000	Drawn £000	Current £000	Non-current £000
Revolving credit	1.50%/LIBOR	Varies	2023	55,000	22,431	-	22,431
Finance lease (under IAS 17)	Various	Monthly	Various		220	128	92
Unamortised transaction costs					(108)	-	(108)
Total bank debt					22,543	128	22,415
Operating leases (under IAS 17)	2.2%	Varies			10,525	1,911	8,614
Total debt					33,068	2,039	31,029

All of the above loans are denoted in pounds Sterling, with various interest rates and maturity dates. The main purpose of the above facilities is to finance the Group's operations. For more information about the Group's exposure to interest rate risk, see Note 24.

As part of the bank borrowing facility the Group needs to meet certain covenants every six months. There were no breaches of covenants during the year. The covenant tests required are net bank debt: EBITDA and interest cover.

The revolving credit bank facility available for drawdown is £60.0 million plus a further £60.0 million accordion facility (2021: £55.0 million plus a further £35.0 million accordion). At the period end date, the facility utilised was £27.9 million (2021: £22.4 million), giving £32.1 million (2021: £32.6 million) headroom plus a further £60.0 million (2021: £35.0 million) accordion.

Notes to the Consolidated Financial Statements/Continued

19. Analysis of Net Bank Debt

The table below is presented to demonstrate total debt as defined by our banking facility agreement. This excludes the lease liabilities created on transition to IFRS 16 for leases treated as operating leases under IAS 17.

	At year ended 27 June 2021 €000	Cash flow €000	At year ended 2 July 2022 €000
Cash and cash equivalents	9,523	(2,142)	7,381
Debt due after one year	(22,431)	(5,444)	(27,875)
Hire purchase obligations due within one year	(128)	52	(76)
Hire purchase obligations due after one year	(92)	17	(75)
Total net bank debt	(13,128)	(7,517)	(20,645)

20. Trade and Other Payables

	2022 €000	2021 €000
Current		
Trade creditors	46,588	38,943
Other creditors including taxes and social security	2,714	2,409
Accruals and deferred income	24,982	21,138
	74,284	62,490

21. Provisions

	Litigation €000	Site closure €000	Pension €000	Total €000
Balance at the beginning of the financial year	-	204	178	382
Made/(released) during the year	679	(130)	-	549
Utilised during the financial year	-	(74)	(142)	(216)
Balance at the end of the financial year	679	-	36	715
Current provisions	679	-	18	697
Non-current provisions	-	-	18	18

The litigation provision relates to an ongoing legal claim that is expected to be concluded within the next financial year.

The site closure provision relating to the closure of the Grain D'Or site in October 2017 was fully utilised and released during the year. All units have been successfully re-let during the year with the closure project now concluded.

The pension provision relates to a contractual liability for pension augmentation. The amount utilised during the year represents payments in relation to the augmentations which are being paid over 12 years with two years remaining.

22. Acquisitions

The Company acquired a further 35% of the issued share capital of Lightbody-Stretz Limited from Phaste S.a.r.l. in February 2022 for a consideration of €6.1 million, bringing its holding up from 50% to 85%.

Deferred consideration of €1.0 million paid relates to the acquisition of Ultrapharm Limited (Ultrapharm) for €16.9 million plus up to €3.0 million, €0.5 million of which is outstanding at 2 July 2022 with the final quarterly instalment payable in October 2022.

Discounted amounts payable within one year of the Consolidated Statement of Financial Position date is €496,000 (2021: €976,000) and amounts due beyond one year is €nil (2021: €466,000). Amounts charged to finance expenses during the year for the unwinding of the discounting is €54,000 (2021: €105,000).

Notes to the Consolidated Financial Statements/Continued

23. Deferred Tax Assets and Liabilities

Recognised Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2022 £000	2021 £000	2022 £000	2021 £000
Intangibles	-	-	(1,415)	(1,594)
Property, plant and equipment	-	-	(2,283)	(1,262)
Foreign exchange contracts	79	-	-	(77)
Short-term temporary differences	42	38	-	-
Interest rate swaps	33	23	-	-
Discounting of deferred consideration	-	-	(1)	(11)
Pension Scheme	1,645	3,632	-	-
Employee Share Scheme	1,019	669	-	-
Losses acquired	1,254	1,599	-	-
Tax assets/(liabilities)	4,072	5,961	(3,699)	(2,944)
Net tax assets/(liabilities)	373	3,017	-	-

Short-term temporary differences relate to general provisions which will be allowed when utilised. The deferred tax asset recognised for losses relate to acquired businesses, based on current and forecast levels of profitability, the losses are expected to be utilised within two years.

Movement in Deferred Tax during the Year

	27 June 2021 £000	Recognised in minority interest £000	Recognised in income £000	Recognised in equity £000	2 July 2022 £000
Intangibles	(1,594)	-	178	-	(1,416)
Property, plant and equipment	(1,262)	-	(1,021)	-	(2,283)
Foreign exchange contracts	(77)	30	126	-	79
Short-term temporary differences	38	-	4	-	42
Interest rate swaps	23	-	10	-	33
Discounting of deferred consideration	(11)	-	11	-	-
Pension Scheme	3,632	-	(33)	(1,954)	1,645
Employee Share Scheme	669	-	350	-	1,019
Losses acquired	1,599	-	(345)	-	1,254
	3,017	30	(720)	(1,954)	373

	28 June 2020 £000	Recognised in minority interest £000	Recognised in income £000	Recognised in equity £000	26 June 2021 £000
Intangibles	(1,346)	-	(248)	-	(1,594)
Property, plant and equipment	(740)	-	(522)	-	(1,262)
Foreign exchange contracts	55	(35)	(97)	-	(77)
Short-term temporary differences	38	-	-	-	38
Interest rate swaps	40	-	(17)	-	23
Discounting of deferred consideration	(31)	-	20	-	(11)
Pension Scheme	2,883	-	(62)	811	3,632
Employee Share Scheme	391	-	189	89	669
Losses acquired	1,216	-	383	-	1,599
	2,506	(35)	(354)	900	3,017

The deferred tax liability in respect of intangible assets will unwind in line with the amortisation of intangible assets.

Notes to the Consolidated Financial Statements/Continued

24. Financial Risk Management

The main purpose of the Group's financial instruments is to finance the Group's operations. The financial instruments comprise a revolving credit facility, hire purchase, finance leases, interest rate swaps, foreign currency forwards, cash and liquid resources and various items arising directly from its operations, such as trade receivables and trade payables. The main risks arising from the Group's financial instruments are interest rate risk and liquidity risk. The Group's policies on the management of liquidity, credit, interest rate and foreign currency risks are set out below and the main risks are also referred to in the Strategic Report on pages 36 to 39.

a) Fair Values of Financial Instruments

All financial assets and liabilities are held at amortised cost apart from forward exchange contracts and interest rate swaps, which are held at fair value, with changes going through the Consolidated Statement of Comprehensive Income. The Group has not disclosed the fair values for financial instruments such as short-term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair values.

The fair values of forward exchange contracts and interest rate swaps are determined using a market comparison valuation technique. The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments. The fair values relating to these instruments represent level 2 in the fair value hierarchy which relates to the extent the fair value can be determined by reference to comparable market values. The classifications range from level 1 where instruments are quoted on an active market, through to level 3 where the assumptions used to arrive at fair value do not have comparable market data.

b) Liquidity

The Group's policy is to ensure that it has sufficient facilities to cover its future funding requirements. Short-term flexibility is available through the existing bank facilities and the netting off of surplus funds. The carrying amounts are the amounts due if settled at the period end date. The contractual undiscounted cash flows include estimated interest payments over the life of these facilities. The estimated interest payments are based on interest rates prevailing at 2 July 2022.

At 2 July 2022	Carrying amount €000	Total €000	Contractual cash flows including estimated interest			
			1 year or less €000	1 to 2 years €000	2 to 5 years €000	5 years and over €000
Non-derivative financial liabilities						
Revolving credit	(27,875)	(27,875)	-	-	(27,875)	-
Trade creditors	(46,587)	(46,587)	(46,587)	-	-	-
Lease liabilities	(9,917)	(9,917)	(1,805)	(1,563)	(2,938)	(3,611)
Other lease liabilities	(2)	(2)	(2)	-	-	-
	(84,381)	(84,381)	(48,394)	(1,563)	(30,813)	(3,611)

At 26 June 2021	Carrying amount €000	Total €000	Contractual cash flows including estimated interest			
			1 year or less €000	1 to 2 years €000	2 to 5 years €000	5 years and over €000
Non-derivative financial liabilities						
Revolving credit	(22,431)	(22,431)	-	(22,431)	-	-
Trade creditors	(38,943)	(38,943)	(38,943)	-	-	-
Lease liabilities	(10,745)	(10,745)	(2,039)	(1,850)	(2,638)	(4,218)
Other lease liabilities	-	(19)	(18)	(1)	-	-
	(72,119)	(72,138)	(41,000)	(24,282)	(2,638)	(4,218)

The information relating to the interest rate swaps shown in the tables above indicate the cash flows associated with these instruments. This also reflects the expected effect on the future profit. These amounts will change as interest rates change.

Short-term flexibility is available through existing bank facilities and the netting off of surplus funds.

Notes to the Consolidated Financial Statements/Continued

24. Financial Risk Management/Continued

c) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. The Group recognises loss allowances for expected credit losses (ECL) on financial assets measured at amortised cost. These trading exposures are controlled by assessing the credit quality of the customer, taking into account its financial position, past experience and other factors and are monitored and managed at operating level and are also monitored at Group level. Whilst there is a concentration of credit risk arising from the profile of five customers accounting for more than 50% of total revenue, the Group deems this to be low risk due to the nature of these customers. The carrying amount of the financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk for the trade receivables at the period end date was £51.3 million (2021: £45.8 million) and the ageing of trade receivables at the period end date was:

	2022 £000	2021 £000
Not past due	47,361	42,176
Past due 0-30 days	3,085	2,610
Past due 31 - 120 days	769	824
Past due more than 120 days	96	189
	51,311	45,799

The above numbers are net of impairment provisions. The Group provides for impairment of financial assets including receivables from customers based on known events, and some collective provisions are made for losses yet to be identified, based on historical data. The majority of the provision comprises of specific amounts.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there may be no reasonable expectation of recovery may include the failure of the debtor to engage in a payment plan negotiation, and failure to make contractual payments significantly after the due date.

The Group's strategy is to focus on supplying UK multiple grocers and foodservice distributors, the nature of these customers is such that there is a relatively low risk of them failing to meet their contractual obligations. There is no impairment necessary to the value of trade receivables at the period end date over and above the specific credit note provision and bad debt provision held at the year end. The balance of £0.9 million past due by more than 30 days is equivalent to less than one days sales (2021: £1.0 million, equivalent to less than two days). We have worked with our customers during the pandemic and the significant disruption that it has brought to the economic environment to ensure cash is preserved and we trade successfully through these unprecedented challenges with fluctuations in demand, changes to consumer behaviour and sales channel closures.

Based on the above and analysis performed there is no deemed impact of applying Expected Credit Loss (ECL) methodology under IFRS 9 as in the prior year.

Gross trade receivables are assessed regularly by each subsidiary entity locally with reference to appropriate considerations such as the current position of the relationship with the customer, days past due and the geographical location of each customer. Expected losses are determined based on the historical experience of write-offs compared to the level of trade receivables. The nature of the Group's customer base has meant historic write-offs are trivial, hence no material impact of applying IFRS 9 ECL methodologies. If this impact was deemed significant the historical loss expectations would be amended for current and forward-looking information such as national economic outlooks to form the basis of any provision.

Details of the Company's credit risk are not disclosed because the Financial Statements of the Group disclose such details on a consolidated basis.

d) Market Risk

Our Group has been faced with unprecedented challenges first triggered by the Covid-19 crisis and now by significant input cost inflation and falling consumer confidence. Despite this, the overall demand for food and drink has remained resilient and we have achieved record revenue levels for the year to 2 July 2022. Our retail business performed well, we continued to see a bounce back in foodservice, and our overseas division continued to see strong growth. We are expecting the headwinds to persist, however we have a proven track record of resilience in challenging times.

i) Interest Rate Risk

The Group's interest rate risk exposure is primarily to changes in variable interest rates. The Group has entered into one interest rate swap arrangement in order to hedge its risks associated with any fluctuations. Details of swaps are given in Note 13.

The profile of the Group's loans and overdraft at the period end date were split as follows:

	2022 £000	2021 £000
Variable rate liabilities	(27,875)	(22,431)

The Company has a five-year swap from 3 July 2017 with a coverage of £20.0 million fixed at a rate of 0.455% expiring at the year end date and during the year the Company held a three-year swap from 28 March 2019 with a coverage of £5.0 million fixed at a rate of 1.002%. There was 72% coverage at year end (2021: 111%). A forward-dated swap £10.0 million from 3 July 2022 until 10 June 2027 (fixed) at 2.589% was taken out to limit the risk associated with the variable rate liabilities. The interest rates for the forward-dated swap is fixed at 2.589% for £10.0 million.

Notes to the Consolidated Financial Statements/Continued

24. Financial Risk Management/Continued

Sensitivity

A 1% increase in the base rate, SONIA or LIBOR would have the following impact on interest charges and associated net assets for the Group. This sensitivity relates to interest-bearing bank borrowings and interest rate swaps only and excludes possible changes in pension financing costs.

	2022 £000	2021 £000
Profit increase/(decrease)	(9)	(34)
Decrease in net assets	(9)	(34)

A 1% decrease in the base rate, SONIA or LIBOR would have the following impact on interest charges and associated net assets for the Group.

	2022 £000	2021 £000
Profit increase/(decrease)	3	(233)
Increase/(decrease) in net assets	3	(233)

The above movement is not equal to 1% of interest-bearing loans because of interest rate swap cover that is in place.

ii) Commodity Prices

Any rises in commodity prices can adversely impact the core profitability of the business. The Group will aim to pass on its increased costs to its customers as far as is reasonable in the circumstances, whilst maintaining its tight control over overhead costs to mitigate the impact on consumers. The Group maintains a high expertise in its buying team and will consider long-term contracts where appropriate to reduce uncertainty in commodity prices. Further information on input prices and risks is contained in the Strategic Report.

iii) Foreign Exchange Risk

We acquired manufacturing facilities in Poland through the Ultrapharm acquisition. The sites supply to mainland Europe with income in Euros and local costs denominated in Polish złoty. We supply UK-manufactured products to Lightbody-Stretz Limited, our 85% owned selling and distribution business which trades in mainland Europe. We also buy a small number of commodities and capital equipment in foreign currency. As a consequence, we are exposed to fluctuations in foreign currency rates. We manage this risk by continually monitoring our exposure to foreign currency transactions. We use forward currency contracts when required and our procurement team works hard to ensure we get the best prices for commodities and equipment, giving special consideration to the benefits of contracts denominated in foreign currency.

e) Debt and Capital Management

The Group's objective is to maximise the return on net invested capital, while maintaining its ongoing ability to operate and guaranteeing adequate returns for shareholders and benefits for other stakeholders within a sustainable financial structure.

The dividend payment was reinstated for the year to 26 June 2021 and a dividend 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. An interim dividend for the year ending 2 July 2022 of 0.8p per share (H1 2020: nil) was paid on 21 April 2022 to shareholders on the register at the close of business on 25 March 2022. The Company paid a £1.1 million dividend to the 50% minority shareholder in Lightbody-Stretz Limited and a pre-sale dividend of £1.4 million immediately prior to the acquisition of a further 35% shareholding from Phaste S.a.r.l taking the shareholding up from 50% to 85%.

The Group manages its capital by monitoring its gearing ratio on a regular basis, there are also covenant tests which are monitored regularly and presented to the Group's banks every six months. There have been no breaches of covenant tests during the year and the gearing ratio stands at 0.3 (2021: 0.2). The gearing ratio is calculated by taking the total net debt including deferred consideration over net assets.

The Group considers its capital to include share capital, share premium and capital redemption reserve.

The Group does not have any externally imposed capital requirements.

25. Capital and Reserves

The reconciliation of movement in capital and reserves is shown as a primary statement: Consolidated Statement of Changes in Equity on page 71.

Equity comprises the following:

- Share capital representing the nominal value of equity shares;
- Share premium representing the excess of the fair value of consideration received for the equity shares; (net of expenses of the share issue) over nominal value of the equity shares;
- Capital redemption reserve representing the buyback and cancellation of shares at nominal value;
- Employee share reserve representing ordinary shares held in an Employee Benefit Trust (EBT) to satisfy awards made to employees; and
- Retained earnings representing retained profits.

Notes to the Consolidated Financial Statements/Continued

26. Share Capital

	2022 000s	2021 000s
In issue at beginning of the financial year	130,383	130,383
Shares issued	-	-
In issue at end of the financial year – fully paid	130,383	130,383
	£000	£000
Allotted, called up and fully paid ordinary shares of 1p each	1,304	1,304

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. Shares are held in an Employee Benefit Trust (EBT), which is intended to be used to satisfy awards made to employees (6,668,718 shares were held at the year-end). All shares are the same class with equal rights. During the year the EBT purchased 679,731 ordinary shares of 1p each in the capital of the Company ("ordinary shares") at a price of £0.7341 per ordinary share.

At the 2021 Annual General Meeting held on 18 November 2021, the Directors were authorised to allot shares up to an aggregate nominal amount of £869,222. The authority shall expire 15 months from the date of the Annual General Meeting or, if earlier, at the conclusion of the Annual General Meeting of the Company on 17 November 2022.

Share-Based Payments

The Group operates both approved and unapproved share option schemes.

The fair value is calculated at the grant date and ultimately expensed in the Consolidated Statement of Comprehensive Income over the vesting period, based on the best available estimate of the number of share options expected to vest, with a corresponding credit to reserves. Upon exercise of the share options the proceeds received net of attributable transaction costs, are credited to share capital and where appropriate share premium.

There were a number of options granted during the course of the financial year to 2 July 2022 with further details given below.

Date of grant	Number of options granted	Number of options expected to vest	Exercise price	Fair value £000	Amount expensed in year to 2 July 2022 £000	Period of expense
1 November 2021	1,636,005	1,636,005	nil	964	247	3.0 years
Charge relating to options granted in the current year					247	
Charge relating to options granted in prior years					1,277	
Charge included in administrative expenses					1,524	

There were a number of options granted during the course of the financial year to 26 June 2021 with further details given below.

Date of grant	Number of options granted	Number of options expected to vest	Exercise price	Fair value £000	Amount expensed in year to 26 June 2021 £000	Period of expense
22 October 2020	2,192,275	2,192,275	nil	621	246	3.0 years
1 January 2021	91,538	91,538	nil	51	13	3.0 years
Charge relating to options granted in the current year					259	
Charge relating to options granted in prior years					742	
Charge included in administrative expenses					1,001	

Notes to the Consolidated Financial Statements/Continued

26. Share Capital/Continued

Details of share options outstanding at 2 July 2022 and movements during the year by exercise price is shown below:

Exercise price	First exercise date	Last exercise date	At 27 June 2021	Granted	Forfeited	Cancelled/lapsed	Exercised	At 2 July 2022
nil	Sep 2018	Dec 2025	50,304	-	-	-	-	50,304
nil	Jul 2020	Dec 2025	1,131,978	-	-	-	-	1,131,978
nil	Sep 2022	Oct 2029	3,333,287	-	(165,616)	(241,804)	-	2,925,867
nil	Feb 2023	Feb 2030	32,836	-	-	(12,888)	-	19,948
nil	Jul 2024	Oct 2029	1,063,325	-	-	(417,355)	-	645,970
nil	Oct 2023	Oct 2030	991,929	-	(42,130)	-	-	949,799
nil	Jan 2024	Oct 2030	91,538	-	-	-	-	91,538
nil	Jul 2025	Oct 2030	1,200,346	-	-	-	-	1,200,346
nil	Nov 2024	Nov 2031	-	839,148	-	-	-	839,148
nil	Nov 2026	Nov 2031	-	796,857	-	-	-	796,857
			7,895,543	1,636,005	(207,746)	(672,047)	-	8,651,755

A summary of share options outstanding and movements for the year to 26 June 2021 is shown below:

	At 28 June 2020	Granted	Forfeited	Cancelled	Exercised	At 26 June 2021
Number of options	7,231,297	2,283,813	(581,915)	(1,037,652)	-	7,895,543

There were 1,182,282 options exercisable at the period end date (2021: 1,182,282). There were no options exercised during the year (2021: nil). There were 672,047 options (2021: 1,037,652) that lapsed during the year where performance conditions have not been met in full.

The options outstanding at the year end have a weighted average exercise price of nil (2021: nil) and a weighted average remaining contractual life of 1.2 years (2021: 1.4 years).

The Company uses a Monte Carlo model for the valuation of the award subject to relative performance to the TSR of AIM listed companies. An external consultant assists with the valuation of the awards.

The key inputs into the Monte Carlo model are as follows:

	2022	2021
Expected life of option	3.0 years	3.0 years
Volatility of share price	37%	29%
Dividend yield	3.1%	4.3%
Risk free discount rate	0.7%	0.5%
Share price at grant date	91.0p	82.0p
Exercise price	nil	nil

27. Dividends

The dividend was reinstated during the year. For the full year to 26 June 2021 a dividend 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.

An interim dividend for the year ending 2 July 2022 of 0.83p per share (2021: nil). The interim dividend was paid on 21 April 2022 to shareholders on the register at the close of business on 25 March 2022.

The Board of Directors is recommending a final dividend for the year ending 2 July 2022 of 1.67p per share, taking the full year dividend to 2.50p per share (2021: 2.40p). The final dividend will be paid on 21 December 2022 to shareholders on the register at the close of business on 25 November 2022. The election deadline for participants in the Company's Dividend Re-Investment Plan will be 30 November 2022.

The Company paid a £1,084,000 dividend to the non-controlling interest in Lightbody-Stretz Limited and a pre-sale dividend of £1,441,426 was paid immediately prior to the acquisition of a further 35% shareholding from Phaste S.a.r.l, taking the shareholding up from 50% to 85%.

28. Commitments

At the financial year ended 2 July 2022, the Group had capital expenditure commitments of £1,649,000 (2021: £6,000).

The Company entered into an Asset Backed Contribution (ABC) arrangement on 18 May 2022 to improve the funding of the Scheme. An investment of £9.7 million will be invested by the Company to the Scheme, the trustees have purchased a loan note from the Group via a Scottish Limited Partnership (SLP) structure, which will pay a defined income return to the Scheme over 20 years. The fixed repayment plan amounts to an income of £763,000 being paid to the Scheme annually.

Notes to the Consolidated Financial Statements/Continued

29. Non-Cancellable Leases

The Group has annual commitments under non-cancellable leases expiring within two months to 18 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. The leases relate to land and buildings, fork lift trucks and equipment. Land and buildings have been considered separately for lease classification. Land and buildings amounts relate to leasehold properties at the Nicholas and Harris site, Fletchers' sites in London and Manchester, Johnstone's site in East Kilbride and Ultraeuropa in Poland.

The Group adopted IFRS 16 from 30 June 2019 using the modified retrospective approach. Under IFRS 16 the previous operating leases charge has been replaced by the depreciation on the right-of-use asset and interest on the lease liability.

Commitments for minimum lease payments not in scope of IFRS 16 for 2022 and for 2021 in relation to non-cancellable operating leases (under IAS 17) are as follows:

	2022 £000	Other 2021 £000
On leases which expire in:		
Less than one year	2	18
Between one and five years	-	1
	2	19

30. Related Parties

Related Party Transactions and Directors' Material Interests in Transactions

An 85% owned subsidiary, Lightbody-Stretz Limited, paid SCI Coysevox €65,000 (2021: €66,000) in respect of rent for offices. No balances were outstanding at either year end. Lightbody Europe received €11,469 for accountancy and administration services (2021: €36,563) from FoodHub and an additional €4,160 for royalties (2021: €11,310). €2,043 was outstanding at the year end (2021: £nil). Mr P Stretz, the Managing Director of Lightbody-Stretz Limited, being the related party.

The Group paid £nil (2021: £nil) for the supply of finished products from and received €141,371 (2021: £nil) for the sale of finished products to FoodHub, a company 15% owned by Mr P Stretz. The amount payable and receivable at the year end was £nil (2021: £nil) and €8,671 (2021: €9,590) respectively.

Transactions with the Memory Lane Pension Scheme are detailed in Note 14.

Transactions with Key Management Personnel

Directors of the Company and their immediate relatives control 3% (2021: 3%) of the voting shares of the Company.

The aggregate compensation of key management personnel (Main Board Executive Directors, Divisional MDs, and the Executive Committee) is as follows:

	2022 £000	2021 £000
Company contributions to money purchase Pension Schemes	70	65
Executive salaries and benefits	3,741	2,416
	3,811	2,481

Share options held by Group Directors are set out in Note 6. Details of share options outstanding at 2 July 2022 for other key management personnel by exercise price is shown in the table below. Following various internal promotions to the Group Executive Committee, the number of key management personnel included in the table below has increased.

Exercise price	Number of options at 2 July 2022	Number of options at 26 June 2021	Earliest exercise date	Exercise expiry date
nil	599,198	-	01/11/2024	01/11/2031
nil	91,538	-	07/01/2024	07/01/2031
nil	675,787	598,176	28/10/2023	22/10/2030
nil	32,836	-	26/02/2023	26/02/2030
nil	1,599,552	1,205,745	28/10/2022	28/10/2029
nil	50,303	50,303	30/09/2018	04/12/2025
	3,049,214	1,854,224		

Notes to the Consolidated Financial Statements/Continued

31. Non-Controlling interests

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed are before inter-Company eliminations.

Summarised balance sheet	2 July 2022 £000	26 June 2021 £000
Current assets	11,531	11,358
Current liabilities	(8,537)	(6,219)
Current net assets	2,994	5,139
Non-current assets	150	189
Non-current liabilities	(18)	(7)
Non-current net assets	132	182
Net assets	3,126	5,321
Accumulated NCI	255	2,786

Summarised statement of comprehensive income	2 July 2022 £000	26 June 2021 £000
Revenue	45,373	35,250
Profit for the period	1,973	1,903
Other comprehensive income	-	-
Total comprehensive income	1,973	1,903
Profit allocated to NCI	1,116	1,298
Dividends paid to NCI	2,525	722

On 22 February 2022, the Group acquired an additional 35% of the issued share capital of Lightbody-Stretz Limited for £6.1 million. The Group recognised a decrease in non-controlling interest of £1.1 million and a decrease in equity attributable to the owner of the Parent of Lightbody-Stretz Limited. The effect on the equity attributable to the owners of Lightbody-Stretz Limited during the year is summarised as follows:

	2 July 2022 £000	26 June 2021 £000
Carrying amount of non-controlling interest acquired	1,121	-
Consideration paid to non-controlling interest	(6,083)	-
Acquisition costs	(375)	-
Excess of consideration paid recognised in the transactions with non-controlling interest reserves within equity	(5,337)	-

Summarised cash flows	2 July 2022 £000	26 June 2021 £000
Cash flows from operating activities	3,260	1,997
Cash flows from investing activities	(216)	(13)
Cash flows from financing activities	(5,052)	(1,444)
Net increase/(decrease) in cash and cash equivalents	(2,007)	539

32. Ultimate Parent Company

Finsbury Food Group Plc is the ultimate Parent Company and there is no ultimate controlling party.

Company Balance Sheet

at 2 July 2022

	Note	2022 £000	2021 £000
Fixed assets			
Investments	40	118,769	112,053
Intangible assets	41	217	36
Financial assets		16,000	-
Deferred taxation	42	1,074	701
		136,060	112,790
Current assets			
Debtors	43	55,292	54,516
Other financial assets – fair value contracts	44	20	42
Cash and cash equivalents		6,078	5,037
		61,390	59,595
Creditors: Amounts falling due within one year			
Other interest-bearing loans and borrowings	46	-	(345)
Trade and other payables	45	(9,158)	(10,181)
Provisions		(679)	-
		(9,837)	(10,526)
Net current assets		51,553	49,069
Total assets less current liabilities		187,613	161,859
Creditors: Amounts falling due after more than one year			
Other interest-bearing loans and borrowings	46	(27,076)	(22,678)
Other payables	47	(16,005)	(606)
		(43,081)	(23,284)
Net assets		144,532	138,575
Capital and reserves			
Called up share capital	48	1,304	1,304
Share premium account	48	64,956	64,956
Capital redemption reserve	48	578	578
Employee share reserve		(5,696)	(5,374)
Profit and loss account	49	83,390	77,111
Total shareholders' funds		144,532	138,575

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Company statement of profit and loss. The loss for the Company for the financial year was £1,754,000 (2021: loss £31,000).

The Financial Statements on pages 105 to 106 were approved by the Board of Directors on 23 September 2022 and were signed on its behalf by:

Stephen Boyd

Director

Registration number: 00204368

The Notes on pages 107 to 113 form an integral part of these Financial Statements.

Company Statement of Changes in Equity

for the 53 weeks ended 2 July 2022

	Note	Called up share capital £000	Share premium £000	Capital redemption reserve £000	Employee share reserve £000	Retained earnings £000	Total equity £000
Balance at 28 June 2020		1,304	64,956	578	(3,378)	66,191	129,651
Loss for the financial year		-	-	-	-	(31)	(31)
Total comprehensive loss for the period		-	-	-	-	(31)	(31)
Transactions with owners, recorded directly in equity:							
Shares acquired during the year	26	-	-	-	(1,996)	-	(1,996)
Impact of share-based payments charge to subsidiaries		-	-	-	-	(61)	(61)
Impact of share-based payments	26	-	-	-	-	1,001	1,001
Deferred tax on share options		-	-	-	-	89	89
Dividend received		-	-	-	-	10,644	10,644
Dividend paid	38	-	-	-	-	(722)	(722)
Balance at 26 June 2021		1,304	64,956	578	(5,374)	77,111	138,575
Balance at 27 June 2021		1,304	64,956	578	(5,374)	77,111	138,575
Loss for the financial year		-	-	-	-	(1,754)	(1,754)
Total comprehensive loss for the period		-	-	-	-	(1,754)	(1,754)
Transactions with owners, recorded directly in equity:							
Shares acquired during the year	26	-	-	-	(322)	-	(322)
Impact of share-based payments	26	-	-	-	-	1,524	1,524
Dividend received		-	-	-	-	10,526	10,526
Dividend paid	38	-	-	-	-	(4,017)	(4,017)
Balance at 2 July 2022		1,304	64,956	578	(5,696)	83,390	144,532

The Notes on pages 107 to 113 form an integral part of these Financial Statements.

Notes to the Company's Financial Statements

(forming part of the Financial Statements)

33. Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Financial Statements.

Basis of Preparation

The financial year was the 53 weeks ended 2 July 2022 (prior financial year 52 weeks ended 26 June 2021). These Financial Statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). In preparing these Financial Statements, the Company applies the recognition, measurement and disclosure requirements of UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006, but makes amendments where necessary in order to comply with the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Financial Statements have been prepared on a historic cost basis, except for the following:

- Certain financial assets and liabilities (including derivative instruments), certain classes of property, plant and equipment – measured at fair value or revalued amount;
- Assets held for sale – measured at the lower of carrying amount and fair value less costs to sell; and
- Defined Benefit Pension plans – plan assets measured at fair value.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next Financial Statements. Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account. The profit or loss for the year is set out in the Statement of Changes in Equity.

The following exemptions from the requirements of IFRS have been applied in the preparation of these Financial Statements, in accordance with FRS 101:

- 101p8(a) and paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined).
- 101p8(d) and IFRS 7, 'Financial instruments: Disclosures'.
- 101p8(e) and paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities).
- 101p8(f) and paragraph 38 of IAS 1, 'Presentation of Financial Statements' – comparative information requirements in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and
 - (iii) paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).
- 101p8(g) and the following paragraphs of IAS 1, 'Presentation of Financial Statements':
 - 10(d) (statement of cash flows);
 - 16 (statement of compliance with all IFRS);
 - 38A (requirement for minimum of two primary statements, including cash flow statements);
 - 38B–D (additional comparative information);
 - 111 (cash flow statement information); and
 - 134–136 (capital management disclosures).
- 101p8(h) and IAS 7, 'Statement of cash flows'.
- 101p8(i) and paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- 101p8(j) and paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- 101p8(k) and the requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group.

The principal accounting policies of the Company are as follows:

Investments

Investments are stated at cost less provision for any permanent impairment. Any impairment is charged to the profit and loss as it arises. Impairment to investments is tested by considering the carrying value of net assets of the investments and via impairment testing performed over goodwill, as discussed in Note 1 of the Group Significant Accounting Policies.

Intangibles

All intangible assets recognised are considered to have a finite life and are amortised over their useful economic lives as soon as the asset is in use. The assets recognised are assets under construction and will not be amortised until the asset is brought into use.

Notes to the Company's Financial Statements/Continued

33. Accounting Policies/Continued

Foreign Currency

Transactions in foreign currencies are translated to Sterling at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the period end date, are retranslated to Sterling at the foreign exchange rate ruling at that date.

Any exchange differences arising on the settlement of monetary items, or on translating monetary items at rates different from those at which they were initially recorded are recognised in the Consolidated Statement of Comprehensive Income in the period in which they arise.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Sterling, at foreign exchange rates ruling at the period end date. The revenues and expenses of foreign operations are translated at an average rate for the year, where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. This revaluation is recognised through Other Comprehensive Income.

Derivative Financial Instruments

The Company has derivative financial instruments in respect of interest rate swaps and foreign exchange hedges. The Company does not hold derivative financial instruments for trading purposes. The existing interest rate swaps and foreign exchange hedges used by the Company while they function as hedges, do not meet the criteria for hedge accounting set out by IFRS 9, and have thus been treated as financial assets and liabilities which are carried at their fair value in the Company Balance Sheet. Fair value is deemed to be market value, which is provided by the counterparty at the year end date.

Changes in the market value of interest rate swaps have been recognised through the Consolidated Statement of Comprehensive Income as finance income or cost. Changes in the market value of foreign exchange hedges have been recognised through the Consolidated Statement of Comprehensive Income within administrative costs.

Non-Derivative Financial Instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Unless otherwise indicated, the carrying amounts of the Group's financial assets and liabilities are a reasonable approximation of their fair values.

Trade and Other Payables

The value of trade and other payables is the value that would be payable to settle the liability at the period end date.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances. Bank overdrafts that are repayable on demand and which form an integral part of the Group's cash management, are included as a component of cash and cash equivalents.

Interest-Bearing Borrowings

Interest-bearing borrowings are stated at amortised cost using the effective interest method.

Share-Based Payment Transactions

The value, as at the grant date, of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted.

Taxation

The credit for taxation is based on the loss for the year and takes into account taxation deferred because of temporary differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised, without discounting, in respect of all temporary differences between the treatment of certain items for taxation and accounting purposes, which have arisen but not reversed by the balance sheet date.

Going Concern

The Group has delivered a resilient trading performance and achieved record revenues against a continued challenging backdrop in an unprecedented period of inflation, political instability, a contracting UK economy and Ukraine conflict adversely impacting labour availability and input prices and supply. 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, forecast assumptions have been critically assessed and financial forecasts have been compared against historical performance to understand the movements. The Board, having reviewed the Group's short and medium-term plans and new financing arrangements from June 2022 to June 2027, 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 the full support of our banking partners with a renewed facility and increase in headroom on the debt: EBITDA covenant test.

Having due consideration of the financial projections, the level of debt and available facilities, it is the opinion of the Directors that the Group has adequate resources to continue in operation for the foreseeable future and, therefore, consider it appropriate to prepare the Financial Statements on the going concern basis. Further details are set out in the Basis of Preparation.

Shares held by Employee Share Trusts

Shares held to satisfy options are accounted for in accordance with IAS 32 'Financial Instruments'. All differences between the purchase price of the shares held to satisfy options granted and the proceeds received for the shares, whether on exercise or lapse, are charged to reserves.

34. Remuneration of Directors

Details of Directors' remuneration are set out in Note 6 of the Group's Financial Statements.

Notes to the Company's Financial Statements/Continued

35. Staff Numbers and Costs

The average number of persons employed on a monthly basis by the Company (including Directors) during the year, analysed by category, was as follows:

	Number of employees	
	2022	2021
Directors and administrative staff	122	103

The aggregate payroll costs of these persons were as follows:

	2022	2021
	£000	£000
Wages and salaries	11,583	9,172
Social security costs	1,316	1,008
Other pension costs	689	512
	13,588	10,692

36. Share-Based Payments

Details of Directors share options are set out in Note 6 of the Group's Financial Statements and details of all share options issued are set out in Note 26 of the Group's Financial Statements. During the year 1,316,671 (2021: 1,200,346) of the total 1,636,005 (2021: 2,283,813) share options granted were issued to employees of the Company. The remaining options were granted to employees of the subsidiary companies with corresponding charges to the relevant profit and loss accounts. The total charge in the financial year to the Company for all share options relating to current and prior years was £1,266,000 (2021: £499,000). Charges have been passed to the subsidiaries during the year, the charge totalled £258,000 (2021: charge £111,000) and has resulted in an increase (2021: increase) in the total cost of investments in the Company balance sheet. Details of Directors' share options are set out in Note 6 of the Group's Financial Statements.

37. Finance Income and Cost

Recognised in the Company Statement of Comprehensive Income.

	2022	2021
	£000	£000
Finance income		
Inter-Group recharge	120	351
Change in fair value of interest rate swaps	-	89
Total finance income	120	440
Finance cost		
Bank interest payable	(487)	(545)
Interest on interest rate swaps	(43)	(119)
Unwinding of discount on deferred consideration	(54)	(105)
Interest on deferred consideration	(18)	(36)
Change in fair value of interest rate swaps	(18)	-
Inter-Group recharge	(339)	(547)
Total finance cost	(959)	(1,352)
Net finance cost	(839)	(912)

38. Dividends

The dividend was reinstated during the year. For the full year to 26 June 2021 a dividend of 2.40p per share was paid on 21 December 2021 to shareholders on the register at the close of business on 26 November 2021.

An interim dividend for the year ending 2 July 2022 of 0.83p per share (2021: nil). The interim dividend was paid on 21 April 2022 to shareholders on the register at the close of business on 25 March 2022.

The Board of Directors is recommending a final dividend for the year ending 2 July 2022 of 1.67p per share, taking the full year dividend to 2.50p per share (2021: 2.40p). The final dividend will be paid on 21 December 2022 to shareholders on the register at the close of business on 25 November 2022. The election deadline for participants in the Company's Dividend Re-Investment Plan will be 30 November 2022.

The Company paid a £1,084,000 dividend to the non-controlling interest in Lightbody-Stretz Limited and a pre-sale dividend of £1,441,426 was paid immediately prior to the acquisition of a further 35% shareholding from Phaste S.a.r.l, taking the shareholding up from 50% to 85%.

Notes to the Company's Financial Statements/Continued

39. Investment in Subsidiaries

Set out below are all undertakings of the Company whose results are included in the Consolidated Financial Statements for the period ended 2 July 2022.

Subsidiary	Registered address	Direct/ indirect ownership	Country of incorporation	Class of shares held	2022	2021
Anthony Alan Foods Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Direct	England and Wales	Ordinary	£1 100%	100%
California Cake Company Ltd	73 Bothwell Rd, Hamilton, ML3 0DW	Indirect	Scotland	Ordinary	£1 100%	100%
California Cake Company (Holdings) Ltd	73 Bothwell Rd, Hamilton, ML3 0DW	Direct	Scotland	Ordinary	£1 100%	100%
Campbells Cake Company Ltd	73 Bothwell Rd, Hamilton, ML3 0DW	Indirect	Scotland	Ordinary	£1 100%	100%
Campbells Cake (Holdings) Ltd	73 Bothwell Rd, Hamilton, ML3 0DW	Direct	Scotland	Ordinary	£1 100%	100%
Fennel Acquisition Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Direct	England and Wales	Ordinary	£1 100%	100%
Finsbury ABC Partnership LP	73 Bothwell Rd, Hamilton ML3 0DW	Indirect	Scotland	Ordinary	£1 100%	-
Finsbury General Partner Limited	73 Bothwell Rd, Hamilton ML3 0DW	Direct	Scotland	Ordinary	£1 100%	-
Finsbury Trustee Company Limited	Maes-y-coed Rd, Cardiff, CF14 4XR	Direct	England and Wales	Ordinary	£1 100%	-
Fletchers Bakeries Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Indirect	England and Wales	Ordinary	£1 100%	100%
Fletchers Bakeries Investment Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Indirect	England and Wales	Ordinary	£1 100%	100%
Goswell Enterprises Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Indirect	England and Wales	Ordinary	£1 100%	100%
Goswell Marketing Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Indirect	England and Wales	Ordinary	£1 100%	100%
Johnstone's Food Service Ltd	73 Bothwell Rd, Hamilton, ML3 0DW	Indirect	Scotland	Ordinary	£1 100%	100%
Lifestyle Healthcare Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Direct	England and Wales	Ordinary	£1 50%	50%
Lifestyle Healthcare Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Indirect	England and Wales	Ordinary	£1 50%	50%
Lightbody Celebration Cakes Ltd	73 Bothwell Rd, Hamilton, ML3 0DW	Indirect	Scotland	Ordinary	£1 100%	100%
Lightbody Group Ltd	73 Bothwell Rd, Hamilton, ML3 0DW	Direct	Scotland	Ordinary	£1 100%	100%
Lightbody Holdings Ltd	73 Bothwell Rd, Hamilton, ML3 0DW	Indirect	Scotland	Ordinary	£1 100%	100%
Lightbody of Hamilton Ltd	73 Bothwell Rd, Hamilton, ML3 0DW	Indirect	Scotland	Ordinary	£1 100%	100%
Lightbody-Stretz Limited	73 Bothwell Rd, Hamilton, ML3 0DW	Indirect	Scotland	Ordinary	£1 85%	50%
Lightbody Europe SAS	14 Allée Coysevox, CS 56939, 35069 Rennes Cedex France	Indirect	France	Ordinary	£1 85%	50%
Memory Lane Cakes Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Direct	England and Wales	Ordinary	1p 100%	100%
Nicholas and Harris Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Indirect	England and Wales	Ordinary	£1 100%	100%
Storesurvey Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Direct	England and Wales	Ordinary	£1 100%	100%
Ultraparm Limited	Maes-y-coed Rd, Cardiff, CF14 4XR	Direct	England and Wales	Ordinary	£1 100%	100%
Ultraeuropa SP. z o.o.	Maes-y-coed Rd, Cardiff, CF14 4XR	Indirect	Poland	Ordinary	£1 100%	100%
Christopher Street SAS	1 Rue Bourgault Ducoudray, 35000 Rennes Cedex France	Indirect	France	Ordinary	£1 17%	-

Notes to the Company's Financial Statements/Continued

40. Investments

€000

Cost

At beginning of financial year	112,053
Additions	6,716
At end of financial year	118,769

Net book value

At 2 July 2022	118,769
At 26 June 2021	112,053

The additions relate to an increase of 35% shareholding of Lightbody-Stretz Limited of €6,083,000, acquisition costs of €375,000 and a share option charge of €258,000 (2021: €51,000 charge) passed down to individual subsidiaries.

41. Intangibles

The intangible asset relates to costs for assets under construction for Group-wide projects. Once the projects are complete the cost of the asset will be transferred to the relevant legal entity.

42. Deferred Tax

Recognised Deferred Tax Assets and Liabilities

	Assets		Liabilities	
	2022 €000	2021 €000	2022 €000	2021 €000
Employee Share Scheme	1,019	669	-	-
Interest rate swaps	33	23	-	-
Discounting of deferred consideration	-	-	(1)	(11)
Forward foreign exchange contracts	-	-	(4)	(8)
Short-term temporary differences	22	9	-	-
Tax assets/(liabilities)	1,074	701	(5)	(19)
Net tax assets	1,069	682	-	-

The deferred tax asset at 2 July 2022 has been calculated based on the rate of 19% substantively enacted at the balance sheet date. Employee Share Scheme charges relate to share options which will be allowed when exercised, short-term temporary differences relate to general provisions which will be allowed when utilised.

Movement in Deferred Tax during the Year

	27 June 2021 €000	Recognised in income €000	Recognised in equity €000	2 July 2022 €000
Employee Share Scheme	669	350	-	1,019
Interest rate swaps	23	10	-	33
Discounting of deferred consideration	(11)	10	-	(1)
Forward foreign exchange contracts	(8)	4	-	(4)
Short-term timing differences	9	13	-	22
	682	387	-	1,069

Movement in Deferred Tax during the Prior Year

	28 June 2020 €000	Recognised in income €000	Recognised in equity €000	26 June 2021 €000
Employee Share Scheme	390	190	89	669
Interest rate swaps	40	(17)	-	23
Discounting of deferred consideration	(31)	20	-	(11)
Forward foreign exchange contracts	-	(8)	-	(8)
Short-term timing differences	8	1	-	9
	407	186	89	682

Notes to the Company's Financial Statements/Continued

43. Debtors

	2022 €000	2021 €000
Amounts owed by Group undertakings	54,647	54,113
Other taxation	103	175
Prepayments and accrued income	542	228
	55,292	54,516

Amounts due from Group undertakings are classified as current as they are repayable on demand. Balances from Group undertakings are interest bearing at a rate of 2.3% (2021: 2.4%).

44. Forward Foreign Exchange Contracts at Fair Value

At the year ended 2 July 2022 the Company had entered into a number of forward foreign exchange contracts to minimise the impact of fluctuations in exchange rates. A charge of €22,000 (2021: income €42,000) is included in administrative expenses for the period reflecting changes in their fair value.

45. Creditors: Amounts Falling Due Within One Year

	2022 €000	2021 €000
Trade creditors	240	393
Amounts due to Group undertakings	517	519
Corporation Tax	62	62
Other taxes and social security	269	232
Accruals and deferred income	7,435	7,795
Deferred consideration*	496	976
Financial liability – fair value swaps	139	-
Provisions closure of Grain D'Or site	-	204
	9,158	10,181

*Deferred consideration is the consideration payable for the Ultrapharm Limited acquisition, payable in quarterly instalments to 1 October 2022.

Other Financial Liabilities – Fair Value Interest Rate Swaps

The Company has a five-year swap from 3 July 2017 with a coverage of €20.0 million fixed at a rate of 0.455% expiring at the year end date and during the year the Company held a three-year swap from 28 March 2019 with a coverage of €5.0 million fixed at a rate of 1.002%. There was 72% coverage at year end (2021: 111%). A forward-dated (3 July 2022) swap amounting to €10.0 million was taken out to limit the risk associated with the variable rate liabilities. The interest rates for the forward-dated swap is fixed at 2.589% for €10.0 million.

A charge of €18,000 (2021: €89,000 income) is shown in finance income (2021: income) for the year reflecting changes in the fair values of interest rate swaps.

46. Other Interest-Bearing Loans and Borrowings

This Note provides information about the contractual terms and repayment schedule of the Company's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate risk, see Note 24.

2022	Currency	Margin	Frequency of repayments	Year of maturity	Facility €000	Total €000	Current €000	Non-current €000
Revolving credit	GBP	1.95%/SONIA	Varies	2027	60,000	27,875	-	27,875
Unamortised transaction costs						(799)	-	(799)
						27,076	-	27,076
2021	Currency	Margin	Frequency of repayments	Year of maturity	Facility €000	Total €000	Current €000	Non-current €000
Revolving credit	GBP	1.5%/LIBOR	Varies	2023	€55,000	22,431	-	22,431
Unamortised transaction costs						(107)	-	(107)
						22,324	-	22,324
Leases*	GBP	2.2%	Quarterly	Varies		699	345	354
Total debt including leases						23,023	345	22,678

*Leases include all leases recognised as lease liabilities under IFRS 16 (see Note 11).

HSBC Bank Plc, HSBC Asset Finance (UK) Ltd, HSBC Equipment Finance (UK) Ltd and HSBC Corporate Trustee Company (UK) Limited have debentures incorporating fixed and floating charges over the undertaking and all property and assets including goodwill, book debts, uncalled capital, buildings, fixtures, fixed plant and machinery.

Notes to the Company's Financial Statements/Continued

47. Creditors: Amounts Falling Due After More Than One Year

	2022 £000	2021 £000
Financial liability	16,000	-
Deferred consideration	-	466
Provisions closure of Grain D'Or site	-	-
Fair value derivatives	-	121
Deferred tax liability	5	19
	16,005	606

The financial liability relates to the Asset Backed Contribution arrangement for the Memory Lane Cakes Pension Scheme, within the Financial Statement there is a financial asset of £16,000,000, the net impact on the net assets of the Company is nil.

48. Called Up Share Capital

Note 26 in the Group Financial Statements gives details of called up share capital.

49. Capital and Reserves

The reconciliation of the movement in capital and reserves is shown as a primary statement in the Company's Financial Statements: Company Statement of Changes in Equity on page 106 with definition details in Note 25 to the Consolidated Financial Statements.

50. Contingent Liabilities

The Company has guaranteed the overdrafts of its subsidiaries; there was a net cash position at the year end of £15,534,000 (2021 £9,523,000).

51. Related Party Disclosures

Note 30 in the Group's Financial Statements gives details of related party transactions.

52. Financial Risk Management

The Company's policies on the management of liquidity, credit, foreign currency and interest rate risks are managed at a Group level and are set out in Note 24 in the Group's Financial Statements and also referred to in the Strategic Report.

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