

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