Date: 21 February 2023
On behalf of: Finsbury Food Group Plc ('Finsbury', 'the Company' or 'the Group')
Embargoed until: 0700hrs+

Finsbury Food Group Plc
Interim Results

Encouraging H1 performance

Finsbury Food Group Plc (AIM: FIF), a leading UK speciality bakery manufacturer of cake, bread and morning goods for the retail and foodservice channels, is pleased to announce its unaudited interim results for the six months ended 31 December 2022.

H1 FINANCIAL HIGHLIGHTS

- Group revenue up 14.7% to £190.9 million (H1 2021: £166.5 million).
- Operating profit*1 flat at £6.5 million with operating profit margin mainly reflecting the impact of inflationary pressures.
- Group EBITDA*1 £12.0 million (H1 2021: £11.9 million).
- Profit before tax £6.1 million (H1 2021: £5.7 million).
- Basic EPS (pence per share) 3.7p (H1 2021: 3.2p) and 0.87p per share interim dividend proposed to be paid on 20 April 2023 (0.83p 21 April 2022).
- Net bank debt £22.8 million (excluding IFRS 16 debt), representing 0.8 times annualised EBITDA of the Group (YE 22: £20.6 million). £120 million facility: £60 million RCF and £60 million accordion since last year.

H1 STRATEGIC HIGHLIGHTS

- Revenue growth driven by price recovery initiatives on broadly flat Group volumes resulting in:
    - UK foodservice, up 22.0%;
    - UK retail up 10.9%; and
    - Overseas division growth up 23.4%.
- Post-period acquisition of Lees Foods Limited on 30 January for a consideration of £5.7 million, expected to be immediately earnings enhancing and in line with our previously disclosed M&A strategy.
- Continue to enhance product capability and capacity with a new buns and rolls line in our Sheffield factory completed during the period.
- Innovation in gluten-free recipes and product quality which is driving organic growth in both the UK and in Europe.
- Sustainability Forum is now fully established to aid the governance of our Sustainable Approach, driving continued improvement in energy and waste management.

The Group uses certain Alternative Performance Measures (APMs) which are non-IFRS measures to monitor performance of its operations and of the Group as a whole. The reconciliation to IFRS measures is shown in the Consolidated Statement of Comprehensive Income.

**1 *Operating Profit and EBITDA is before significant non-recurring and other items (Note 1).*

CURRENT TRADING AND OUTLOOK

Finsbury delivered an encouraging H1 performance and the Company is seeing steady demand for its product range whilst also continuing to make good progress on the Group's three strategic pillars of Excellence, Growth and Responsibility.

As predicted, the macro-economic challenges that the Company has been faced with recently continue to persist. The focus remains on managing these challenges through commercial terms, operational improvements and other supply chain and overhead initiatives.

Whilst the external environment remains challenging, Finsbury has a strong market position, a carefully calibrated M&A strategy and a track record of successfully navigating macro challenges as they arise, which positions the Group well for the medium to long-term. The Group remains on track to meet market expectations for FY23.

Commenting on the results, John Duffy, Chief Executive Officer of Finsbury Food Group Plc, said:

"Finsbury has once again delivered a robust performance in the first half to December 2022. We have seen a stable performance in UK retail, ongoing recovery in UK foodservice and continued growth in our Overseas division all despite the challenges of continued significant input cost inflation and falling consumer confidence. I would like to thank the whole Finsbury team for their hard work and dedication which underpins this resilient performance.

We have continued to make good progress against our objectives, based around our three strategic pillars of Excellence, Growth and Responsibility and underpinned by our Operating Principles. Post period, we were delighted to announce the strategic acquisition of Lees Foods Limited, which enables us to further develop our position in the sweet treats sector and grow our manufacturing presence in Scotland.

Looking ahead, we expect to continue to navigate a challenging macro environment as inflationary pressures look set to persist with the short-term outlook remaining difficult to predict. However, Finsbury is now a nimble and adaptable Group and I am confident that we remain well placed to continue successfully executing on our strategy."

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Notes to Editors:

- Finsbury Food Group Plc (AIM: FIF) is a leading UK manufacturer of cake and bread bakery goods, supplying a broad range of blue-chip customers within both the grocery retail and 'out of home eating' foodservice sectors including major multiples and leading foodservice providers.

- The Company is one of the largest speciality bakery groups in the UK and, with its Overseas division, has sales in the financial year ending 2 July 2022 exceeding £356 million.

- The Company's bakery product range is comprehensive and includes:

    - Large premium and celebration cakes.
    - Small snacking cake formats such as cake slices and bites.
    - Artisan, healthy lifestyle and organic breads through to rolls, muffins (sweet and savoury) and morning pastries, all of which are available both fresh and frozen dependent on customer channel requirements.
    - Gluten-free bread, morning goods and cake ranges.

- The Company is one of the largest ambient cake manufacturers in the UK, a market valued at £1.06 billion (source: IRI 52 w/e 31 Dec 2022). The retail bread and morning goods market has a value of £5.7 billion (source: Kantar Worldpanel 52 w/e 25 Dec 2022). The retail Free From cake market is valued at £60.0 million (source: Kantar Worldpanel 52 w/e 25 Dec 2022). The retail Free From bread and morning goods market is valued at £173.0 million (source: Kantar Worldpanel 52 w/e 25 Dec 2022).

- The Company comprises a core UK Bakery division and an Overseas division:

- The UK Bakery division has manufacturing sites in Cardiff, East Kilbride, Hamilton, Salisbury, Sheffield, Manchester, Pontypool and now Coatbridge.

- The Overseas division comprises the Company's 85% owned company, Lightbody-Stretz Limited, which supplies and distributes the Group's UK-manufactured products and third-party products, in Europe, and the Company's manufacturing facilities in Rybarzowice and Żywiec in Poland.

STRATEGIC REVIEW

Our Group

We continue to create and supply high-quality bread and cakes through a variety of brands and channels, supplying major retailers and the foodservice channel across the UK, and in Europe, with own brand and licensed brand bread and cakes.

Our cake products are sold primarily in UK retail and are a combination of both own label and licensed brands. Our bread products are sold in both the retail and foodservice sectors, are both own label and branded with our Kara foodservice brand representing a significant proportion of our total foodservice business.

Our UK bakery segment supply supermarkets, discounters and convenience stores within the retail sector and, within the UK foodservice sector, supply hotels, pubs, restaurants, high street chains, fast food outlets and contract caterers either directly or indirectly through the larger wholesalers.

Our overseas businesses supplies the retail sector in Europe, principally France, Benelux and Scandinavia, with a smaller growing presence in many other major European countries.

Our Strategy and Objectives

Our Purpose

"Baking brilliance makes every day special."

Our Vision

To be the leading speciality bakery group.

Our three 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.

Our Operating Principles supporting our Strategic Pillars

- Operating Excellence - We continually invest in our bakeries to improve our efficiency and customer satisfaction.
- Sustainable Approach - We optimise our use of resources and focus on reducing waste throughout our supply chain and in our bakeries.
- Quality and Innovations - Our innovative, high-quality bakery products reflect changing customer needs and anticipate key market trends.

- 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.
- 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.

Sustainability Highlights

Our Sustainability Forum is now fully established to aid the governance of our Responsibility Strategic Pillar. We have invested in our waste and recycling facilities across the Group to create what we feel is an industry leading approach to waste management with dedicated waste hubs, bespoke waste communication materials and extensive waste data capture. This has resulted in a 16% reduction in our non-recycled waste year on year.

In September we became signatories to the UK plastic pact which brings together businesses from across the entire plastics value chain with UK governments and NGOs to tackle plastic waste. We have committed to 2025 targets to ensure 100% of plastics packaging to be recyclable and to ensure an average 30% recycled content across all plastic packaging. We are working with sustainability experts at WRAP to help us achieve these targets.

We continue to leverage our energy monitoring system to achieve reductions in electricity and gas usage across the business. Year to date we are seeing a 2.8% improvement in energy efficiency across the Group. We will soon start to monitor our water usage and drive improvement in this area.

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

Food sector headwinds in the current financial year have exceeded those experienced during FY22. To have delivered a robust H1 performance in that context provides further validation of the Group's range of quality products, the viability of our operational strategy and the long-term prospects of our selected markets.

RETAIL

Grocery
Inflation continues to dominate headlines with increasing material prices across all ingredients and with increased labour costs driven by the need to attract and retain good employees (as well as the ongoing pressure from the National Living Wage). Add to that the increased and sustained high cost of energy. Take home grocery sales value grew by 7.6% (source: Kantar Worldpanel 12 weeks to 25 December 2022). Average price remains the key driver of this, and although December 2022 set a record value sales month at £12.8bn, volumes were down 1.4% in the same month, vs. 2021, meaning an average household spent £48 more in December, and bought less for it (source: Kantar Worldpanel 4 weeks to 25 December 2022). With household budgets under pressure, shoppers will continue to manage their spend, by buying less, trading down to a cheaper product, or a cheaper retailer. Aldi and Lidl continue to outperform the grocery market, and gain share. They are both growing from more shoppers shopping more often with them (source: Kantar Worldpanel 12 weeks to 25 December), as they continue to open stores.

Cake
Finsbury continues to be one of the most significant manufacturers of cake in the UK, with the market currently valued at £1.06 billion (source: IRI 52 w/e 31 Dec 2022). Value growth is now outstripping volume across the cake category, as it is across the market. The average price was up 6.7% on the prior year, and this has accelerated in more recent time periods. Looking to shopper metrics in the Kantar data, in the comparable time period (52 weeks to 25 Dec 2022), the growth in average price, is being offset by declines in how often cake is being purchased, and to a lesser extent how much is put in the average basket. The number of households buying cake remains high, at 94%, albeit this is down slightly on the prior year.

Bread
The retail bread and morning goods market has increased in value to £5.7 billion (source: Kantar Worldpanel 52 w/e 25 Dec 2022). We see a very similar dynamic in the bread and morning goods category, with value growth significantly ahead of volume, with the total category in volume decline of -2.8% (source: Kantar Worldpanel 52 w/e 25 Dec 2022). Almost all households buy the category, and this has remained static, bread and morning goods are also bought frequently, 93 times a year on average, and again this has not changed year on year. The drag on volume performance has been driven by shoppers buying less per trip, as they look to manage their spend in the category, and on that shopping trip.

Free From

The retail Free From cake market is valued at £60.0 million (source: Kantar Worldpanel 52 w/e 25 Dec 2022) with Free From cake volume in growth, with shoppers purchasing the category 10% more year on year (source: Kantar Worldpanel 52 w/e 25 Dec 2022), 18.3% of households bought the category, which is down vs. prior year. Price was up over 8%, and its average price is 16.4% higher than the total cake category. In bread, volume growth is at 5.2% growth year on year (source: Kantar Worldpanel 52 w/e 25 Dec 2022), price is up 6.9% and the average price is over double that of total bread. Shoppers buying more frequently have been the main driver of volume growth, it is bought by 12% of households, which is static vs. the prior year.

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 a different route to market, which has grown in total by +44% vs. 2021 (e.g. including alcohol), as Covid-19 restrictions, and consumer sentiment limited demand in 2021. The most growth is coming from hotels, pubs, and restaurants, as they suffered the most from the 2020 and 2021 impacts. The number of out of home outlets remains static. There are a number of driving factors for growth, as consumers look to have experiences they missed out on during Covid-19 restrictions. Tech and digitalisation, diversification of formats, and growing omnichannel propositions are making out of home more accessible than ever before. There are of course inhibitors to the continued out-of-home growth, with the cost of living spiralling, and price rises in the sector presenting a risk to ongoing volume.

OVERSEAS

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

CONSUMER TRENDS

September 2022 witnessed a new record low for consumer confidence, at -49 (source GFK), as inflation, and the media coverage of further inflation to come dominated. As the energy support came into force, and inflation eased slightly this improved to -42 in December 2022; still at previously unseen levels, but the first improvement in confidence since November 2021. We expect to see this confidence remain low, in 2023, as consumers continue to struggle with inflation across all aspects of their lives

The legislation, targeting a number of 'High Fat, Salt and Sugar' (HFSS) categories including cake and morning goods is part of a wider government food strategy, and the location restrictions across 15 food and drink categories, is the start of an evolving landscape on health, rather than the end. These restrictions are only live in England, and in stores over 2500 sq ft. It is expected that similar restrictions will come into force, in both Wales, and Scotland. It is too early, with Christmas, and now Easter in stores to find meaningful data points to see results of these restrictions. On a recent Nielsen webinar, they have seen unit decline in the 15 impacted categories, at a slower rate than total store.

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. In store bakery sales bear witness to this - since March 2020 sales have suffered, and even with Covid-19 restrictions long gone, there is a latent change in how shoppers want to shop for individual items. Clearly there is a conflict between this, and the potential impact on additional packaging, and environmental concerns that come with this.

OPERATING REVIEW

Revenue and Operating Profit

Group

	H1 2022	H1 2021	Movement
Revenue	**£190.9m**	£166.5m	+14.7%
Operating profit	**£6.5m**	£6.5m	+0.4%
Operating profit margin	**3.4%**	3.9%	-50bps

Group revenue increased in H1 2022 by 14.7% year on year to £190.9 million (H1 2021: £166.5 million) reflecting price increases to recover input cost inflation. Profit before interest, tax and significant non-recurring and other items increased slightly to £6.5 million (H1 2021 £6.5 million). Operating profit margin has decreased reflecting the impact of inflationary pressures.

UK Bakery

	H1 2022	H1 2021	Movement
Revenue	**£161.0m**	£142.3m	+13.2%
Operating profit	**£4.8m**	£4.7m	+2.9%
Operating margin	**3.0%**	3.3%	

UK Bakery comprises the supply of cake, bread, and morning goods in the grocery and foodservice channels. Revenue in the period increased by 13.2% to £161.0 million driven by pricing initiatives.
The operating profit of £4.8 million increased however the reduced operating margin reflects the recovery of inflation challenge.

Overseas

	H1 2022	H1 2021	Movement
Revenue	**£29.9m**	£24.2m	+23.4%
Operating profit	**£1.7m**	£1.8m	(6.3%)
Operating margin	**5.6%**	7.4%	

The overseas business comprises Lightbody Europe in France and Ultraeuropa based in Poland. Lightbody Europe specialises in the import and sale of Finsbury manufactured food products being UK manufactured licensed celebration cake and bite style products and Polish manufactured gluten-free products. Ultraeuropa manufactures and supplies gluten free products to Poland, France, Scandinavia, and the United States.
The operating margin decreased by 1.8% due largely to a change in product mix and the recovery of inflationary pressures.

Acquisition

Post period end, the Company acquired Lees Foods Limited ("Lees"), a leading manufacturer of meringues, teacakes and snowballs on 30 January 2023 for a consideration of £5.7 million. Lees has a UK market-leading position in the manufacture of meringues and has significant capability in the sweet treats category, adjacent to Finsbury's existing markets. The acquisition is in line with Finsbury's strategy to diversify its product capability into areas with high growth potential through M&A. It will be immediately earnings enhancing.

Lees has a broad customer base and holds strong supply relationships with the leading UK supermarkets in addition to foodservice and export customers and Finsbury believes that it will be able to leverage the scale and breadth of the Finsbury commercial team and licensed brand portfolio to drive incremental growth for the Group.

Significant non-recurring and other accounting items

The significant non-recurring and other accounting items primarily consist of movements in the fair value of foreign exchange and interest rate swap contracts. The fair value is deemed to be the market value, which is provided by the counterparty at 31 December 2022, further information is given in Note 1.

Interest Payable

Interest payable (H1 2021: payable) on the Group's bank debt in H1 2022 and on the related interest rate swaps was £673,000 (H1 2021: £312,000); an increase of £361,000. The increase in charges is a consequence of the higher average debt balance over the period and increase in SONIA and EURIBOR rates.

Taxation

The Group's effective tax rate in H1 2022 was 21.8%, which compares to 17.5% in H1 2021. The effective rates represent a blend of the UK, French and Polish Corporation Tax rates. An increase in the effective rate is driven by the higher hybrid rate of UK tax due to the rate increase to 25% in April 2023, the phasing of capital allowance super deductions, and a higher proportion of overseas profit in the higher French tax jurisdictions.

Earnings Per Share

The Group considers adjusted diluted earnings per share to be the most appropriate EPS measure. The adjusted earnings per share was in line with the prior year at 3.4p. Further earnings per share information is given in Note 5.

Dividend

A final dividend for the year to 02 July 2022 of 1.67p per share was paid on 21 December 2022 to shareholders on the register at the close of business on 26 November 2022. The Board of Directors is proposing an interim dividend of 0.87p per share to be paid on 20 April 2023 to shareholders on the register at the close of business on 24 March 2023 (H1 2021: 0.83p paid on 21 April 2022). The election deadline for participants in the Company's Dividend Re-investment Plan will be 28 March 2023.

Cash Flow and Net Debt

Net bank debt at 31 December 2022 was £22.8 million which compares to £20.6 million at 2 July 2022, an increase of £2.2 million.

	H1 2022 £m
Net debt at 2 July 2022	**-20.6**
Cash inflow from operating profit before changes in working capital	12.0
Increase in working capital	-4.6
Capital expenditure	-3.6
Lease payments	-1.0
Interest payments	-0.5
Corporation Tax payments	-1.4
Free cashflow	0.9
Purchase of companies	-0.5
Purchase of shares by Employee Trust	-0.5
Dividend paid	-2.1
Net debt movement	**-2.2**
Closing net debt	**-22.8**

Six-month cash inflow from operating profit before changes in working capital was £12.0 million. The free cash flow is £0.9 million after absorbing £4.6 million increased working capital, an increase driven primarily by macro dynamics and the need to hold increasing levels of stock. The free cash flow is before the final deferred consideration payments of £0.5 million, purchase of shares by Employer Trust and dividends of £2.1 million, representing a final dividend for the year ending 2 July 2022. Net debt (excluding IFRS 16 leases) of £22.8 million at half year, equating to 0.8 times annualised EBITDA, reflecting low gearing alongside a strong balance sheet. The Group has a £60.0 million revolving credit facility and an accordion of £60.0 million available to it. The facility provides increased capacity for the Group to explore future growth opportunities and support its long-term investment strategy.

Pensions

The Group has one Defined Benefit Pension Scheme within its Memory Lane Cakes business in Cardiff. All remaining Group companies have Defined Contribution Schemes. The Memory Lane Cakes pension Scheme has been closed to future accruals and new members since 31 May 2010. The net pension deficit (before related deferred tax) was £6,582,000 at 2 July 2022. 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.

Principal Risks and Uncertainties

A number of risks and uncertainties have been identified that could potentially have a material impact on the financial position of the Group. These are set out in the Risk Report of the Annual Report for the year to 2 July 2022, and the Board considers these remain applicable.

Forward-looking Statements

Throughout this report certain statements have been made which are forward looking. These statements have been made based on the latest knowledge and expectations of the future. The Board considers the statements to be reasonable. Inevitably there are risks associated with these forward-looking statements which are usually outside the control of the Group. Actual results or performance may therefore differ from the outcome implied by these forward-looking statements.

Consolidated Statement of Comprehensive Income (unaudited)

	Unaudited 26 weeks ended 31 December 2022 £000			Unaudited 26 weeks ended 25 December 2021 £000		
	Adjusted operating performance	**Significant non-recurring and other accounting items (Note 1)**	**Consolidated Statement of Comprehensive Income**	Adjusted operating performance	Significant non-recurring and other accounting items (Note 1)	Consolidated Statement of Comprehensive Income
Revenue	**190,934**	**-**	**190,934**	166,525	-	166,525
Cost of sales	**(134,273)**	**-**	**(134,273)**	(113,938)	-	(113,938)
Gross profit	**56,661**	**-**	**56,661**	52,587	-	52,587
Administrative expenses	**(50,180)**	**(348)**	**(50,528)**	(46,130)	(422)	(46,552)
Results from operating activities	**6,481**	**(348)**	**6,133**	6,457	(422)	6,035
Finance expense (Note 4)	**(777)**	**751**	**(26)**	(445)	67	(378)
Profit before taxation	**5,704**	**403**	**6,107**	6,012	(355)	5,657
Taxation	**(1,260)**	**(74)**	**(1,334)**	(1,057)	67	(990)
Profit after tax and total comprehensive income	**4,444**	**329**	**4,773**	4,955	(288)	4,667
Profit attributable to:						
Equity holders of the Parent	**4,194**	**329**	**4,523**	4,148	(151)	3,997
Non-controlling interest	**250**	**-**	**250**	807	(137)	670
Profit and total comprehensive income for the period	**4,444**	**329**	**4,773**	4,955	(288)	4,667
Earnings per share (pence)						
Basic	**3.6**		**3.7**	3.6		3.2
Diluted	**3.4**		**3.5**	3.4		3.0

Consolidated Statement of Financial Position (unaudited)

	Note	**Unaudited 31 December 2022 £000**	Unaudited 25 December 2021 £000	Audited 02 July 2022 £000
Non-current assets				
Intangibles		**86,172**	87,502	87,355
Property, plant and equipment		**62,384**	57,261	62,672
Deferred tax assets		**4,151**	5,951	4,072
		152,707	150,714	154,099
Current assets				
Inventories		**27,754**	19,405	23,281
Trade and other receivables		**63,595**	52,748	58,148
Cash and cash equivalents	6	**11,501**	8,697	7,381
Other financial assets - fair value of derivatives		**612**	-	20
		103,462	80,850	88,830
Total assets		**256,169**	231,564	242,929
Current liabilities				
Other interest-bearing loans and borrowings	6	**(1,522)**	(2,452)	(1,605)
Trade and other payables		**(79,946)**	(65,870)	(74,284)
Provisions		**(709)**	(159)	(697)
Deferred consideration		**-**	(977)	(496)
Other financial liabilities - fair value of derivatives		**(764)**	(39)	(575)
Current tax liabilities		**(660)**	(513)	(731)
		(83,601)	(70,010)	(78,388)
Non-current liabilities				
Other interest-bearing loans and borrowings	6	**(40,945)**	(30,207)	(35,388)
Provisions and other liabilities		**-**	(160)	(18)
Deferred tax liabilities		**(3,752)**	(2,791)	(3,699)
Pension fund liability		**(6,582)**	(14,529)	(6,582)
		(51,279)	(47,687)	(45,687)
Total liabilities		**(134,880)**	(117,697)	(124,075)
Net assets		**121,289**	113,867	118,854
Equity attributable to equity holders of the Parent				
Share capital	7	**1,304**	1,304	1,304
Share premium account		**64,956**	64,956	64,956
Capital redemption reserve		**578**	578	578
Employee share reserve		**(6,196)**	(5,196)	(5,696)
Retained earnings		**60,141**	49,854	57,456
Total shareholders' equity		**120,783**	111,496	118,598
Non-controlling interest		**506**	2,371	256
Total equity		**121,289**	113,867	118,854

Consolidated Statement of Changes in Equity (unaudited)

	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 27 June 2021	**1,304**	**64,956**	**578**	**(5,374)**	**49,021**	**2,786**	**113,271**
Profit for the 26 weeks ended 26 December 2021	-	-	-	-	3,997	670	4,667
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**3,997**	**670**	**4,667**
Transactions with owners, recorded directly in equity:							
Own shares issued/(acquired)	-	-	-	178	-	-	178
Foreign exchange translation differences	-	-	-	-	(179)	-	(179)
Dividend paid	-	-	-	-	(2,985)	(1,085)	(4,070)
Balance at 25 December 2021	**1,304**	**64,956**	**578**	**(5,196)**	**49,854**	**2,371**	**113,867**
Profit for the 27 weeks ended 2 July 2022	-	-	-	-	6,475	446	6,921
Other comprehensive income/(expense):							
Remeasurement on Defined Benefit Pension	-	-	-	-	7,815	-	7,815
Deferred tax movement on Pension Scheme remeasurement	-	-	-	-	(1,954)	-	(1,954)
Other comprehensive income	**-**	**-**	**-**	**-**	**5,861**	**-**	**5,861**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**12,336**	**446**	**12,782**
Transactions with owners, recorded directly in equity:							
Shares acquired during the period	-	-	-	(500)		-	(500)
Impact of share-based payments	-	-	-	-	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	-	-	-	-	112	-	112
Dividend paid	-	-	-	-	(1,033)	(1,440)	(2,473)
Balance at 2 July 2022	**1,304**	**64,956**	**578**	**(5,696)**	**57,456**	**256**	**118,854**
Profit for the 26 weeks ended 31 December 2022	-	-	-	-	4,523	250	4,773
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Transactions with owners, recorded directly in equity:							
Own shares issued/(acquired)	-	-	-	(500)	-	-	(500)
Foreign exchange translation differences	-	-	-	-	230	-	230
Dividend paid	-	-	-	-	(2,068)	-	(2,068)
Balance at 31 December 2022	**1,304**	**64,956**	**578**	**(6,196)**	**60,141**	**506**	**121,289**

Consolidated Cash Flow Statement (unaudited)

	Note	**Unaudited 26 weeks ended 31 December 2022 £000**	Unaudited 26 weeks ended 25 December 2021 £000	Audited 53 weeks ended 2 July 2022 £000
Cash flows from operating activities				
Profit after taxation for the period		**4,773**	4,667	11,588
Adjustments for:				
Taxation		**1,334**	990	2,709
Net finance costs	4	**26**	378	1,208
Amortisation of intangibles		**717**	674	1,547
Depreciation		**3,823**	3,786	7,407
Depreciation right of use assets		**984**	998	1,986
Significant non-recurring expenses		**-**	-	1,898
Movement in fair value foreign exchange contracts		**348**	422	821
Contributions by employer to Pension Scheme		**-**	-	(417)
Operating profit before changes in working capital		**12,005**	11,915	28,747
Changes in working capital				
Increase in inventories		**(4,304)**	(4,451)	(8,254)
Increase in trade and other receivables		**(5,446)**	(1,878)	(7,847)
Increase in trade and other payables		**5,147**	3,708	13,589
Cash generated from operations		**7,402**	9,294	26,235
Significant non-recurring costs		**(254)**	(61)	(2,254)
Interest paid		**(535)**	(447)	(678)
Corporation Taxes paid		**(1,431)**	(1,319)	(2,018)
Net cash generated from operating activities		**5,182**	7,467	21,285
Cash flows from investing activities				
Purchase of property, plant, equipment and intangibles		**(3,558)**	(1,908)	(12,545)
Purchase of companies		**(500)**	(500)	(1,000)
Net cash used in investing activities		**(4,058)**	(2,408)	(13,545)
Cash flows from financing activities				
Lease payments		**(1,039)**	(910)	(2,275)
Drawdown/(repayment) of revolving credit		**6,334**	(1,020)	5,444
Purchase of shares by Employee Trust		**(500)**	-	(500)
Transactions with non-controlling interests		**-**	-	(6,083)
Non-controlling interest dividend paid		**-**	(1,085)	(2,525)
Dividend paid		**(2,068)**	(2,985)	(4,018)
Net cash in/(out) from financing activities		**2,727**	(6,000)	(9,957)
Net increase/(decrease) in cash and cash equivalents		**3,851**	(941)	(2,217)
Opening cash and cash equivalents		**7,381**	9,523	9,523
Effect of exchange rate fluctuation		**269**	115	75
Cash and cash equivalents at end of the period		**11,501**	8,697	7,381

NOTES TO THE FINANCIAL STATEMENTS

BASIS OF PREPARATION

This Interim Report, which is unaudited, does not constitute statutory accounts within the meaning of section 434(3) of the Companies Act 2006. The comparative figures for the financial 53-week period ended 2 July 2022 have been extracted from the statutory accounts for that year. Those accounts, which were prepared in accordance with UK-adopted International Accounting Standards reported on by the Company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

GOING CONCERN

The Group has delivered an encouraging half year performance against a continued backdrop of macro-economic and cost inflation challenges. 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 have been compared against historical performance to understand movements. The Board, having reviewed the Group's short and medium-term plans and available financial facilities until 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. The Group has a £60 million revolving credit facility plus scope for the facility to be increased by up to a further £60 million. In addition, the Group has a strong trade debtor book and strong asset backing.

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.

1) SIGNIFICANT NON-RECURRING ITEMS AND OTHER ACCOUNTING ITEMS

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.

The amounts shown within significant non-recurring and other accounting items on the face of the Consolidated Statement of Comprehensive Income are shown in the table below:

	Unaudited 26 weeks ended 31 December 2022 £000	Unaudited 26 weeks ended 25 December 2021 £000
Movement in fair value of foreign exchange contracts	**(348)**	(422)
Shown under administrative expenses	**(348)**	(422)
Unwinding of discount on deferred consideration	**(4)**	(33)
Movement in fair value of swaps	**755**	100
Shown under finance expense	**751**	67

The fair value of contracts is deemed to be the market value, which is provided by the counterparty at 31 December 2022. The movements in fair value shown in the table above reflect the value of contracts held and the movements in interest and foreign exchange rates since the year end date of 2 July 2022.

2) 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 Annual Report and Accounts.

The UK bakery segment manufactures and sells bakery products to UK grocery and food service 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 food service sectors. The Ultraeuropa business manufactures Free From bakery products in Poland and sells into the European markets.

Reportable Segments	UK bakery		Overseas		Total Group	
	H1 2022 £000	H1 2021 £000	**H1 2022 £000**	H1 2021 £000	**H1 2022 £000**	H1 2021 £000
Revenue	**161,005**	142,274	**29,929**	24,251	**190,934**	166,525
Adjusted operating profit	**4,809**	4,673	**1,672**	1,784	**6,481**	6,457
Significant non-recurring and other items (Note 1)					**(348)**	(422)
Finance expense (Note 4)					**(26)**	(378)
Profit before taxation					**6,107**	5,657

The Group has three customers (2021: two) which individually account for more than 10% of the Group's total revenue. These customers account for 22%, 11% and 10%. In the prior year, the two customers accounted for 23% and 12% of the revenue in the six months to 25 December 2021. In addition to the Europe sales disclosed in Reportable Segments, the Group also made sales to European markets through UK based organisations.

3) SHARE BASED PAYMENTS

The Group operates both approved and unapproved share option schemes. Following the adoption of IFRS2 'Share-based payments' charges have been made to the Income Statement to reflect the calculated fair value of employee share options. The cost is calculated at the date of grant and is charged equally over the vesting period. The fair value is based on the best available estimate of the number of options expected to vest. The corresponding adjustment is made to reserves.

During the 26 weeks to 31 December 2022, 2,429,984 options were granted (H1 2021: 1,636,005 options). Administration costs include a charge of £59,000 (H1 2021: £113,000) in relation to the fair value of the newly awarded share options during that period.

4) FINANCE INCOME AND EXPENSES

	Note	**Unaudited 26 weeks ended 31 December 2022 £000**	Unaudited 26 weeks ended 25 December 2021 £000	Audited 53 weeks ended 2 July 2022 £000
Change in fair value of interest rate swaps	1	**755**	100	-
Bank interest income		**18**	-	-
Finance income		**773**	100	-
Net interest on pension position		**-**	-	(285)
Net bank interest payable		**(653)**	(252)	(531)
Charge on interest rate swaps		**(24)**	(60)	(43)
Unwinding of discount on deferred consideration	1	**(4)**	(33)	(54)
Change in fair value of interest rate swaps	1	**-**	-	(18)
Interest on deferred consideration		**(1)**	(12)	(18)
Lease Interest IFRS 16		**(117)**	(121)	(259)
Finance expense		**(799)**	(478)	(1,208)
Net finance expense		**(26)**	(378)	(1,208)

The Group has one interest rate swap arrangement; £10.0 million fixed at 2.589% maturing 10 June 2027 to hedge its risks associated with interest rate fluctuations.

These arrangements do not meet the conditions necessary for hedge accounting to be applied and, therefore, changes in their fair value are recognised immediately in the Income Statement resulting in an income of £755,000 (H1 2020: charge £100,000).

5) EARNINGS PER ORDINARY SHARE (EPS)

Basic earnings per share for the period is calculated on the basis of profit for the period after tax, divided by the weighted average number of shares in issue of 123,262,000 (25 December 2021: 124,252,000).

Basic diluted earnings per share for the period is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all potential dilutive ordinary shares, which for 31 December 2022 is 130,733,000 (25 December 2021: 132,183,000).

An adjusted earnings per share has also been calculated as, in the opinion of the Board, this will allow shareholders to gain a clearer understanding of the trading performance of the Group.

The adjusted earnings per share exclude amounts shown under significant and non-recurring items in the Consolidated Statement of Comprehensive Income and exclude amortisation of intangibles.

	26 weeks to 31 Dec 2022 £000	26 weeks to 25 Dec 2021 £000
Profit		
Profit attributable to equity holders of the Company (basic)	**4,523**	3,997
Significant non-recurring and other items	(329)	151
Amortisation of intangibles	266	287
Numerator for adjusted earnings per share calculation (adjusted basic)	**4,460**	4,435

	Basic '000	**Diluted '000**	Basic '000	Diluted '000
Shares				
Weighted average number of ordinary shares in issue during the period	123,262	123,262	124,252	124,252
Dilutive effect of share options	-	7,471	-	7,931
	123,262	**130,733**	124,252	132,183

	Basic Pence	**Diluted Pence**	Basic Pence	Diluted Pence
Earnings per share				
Basic / basic and diluted	**3.7**	**3.5**	3.2	3.0
Adjusted basic/ adjusted basic and diluted	**3.6**	**3.4**	3.6	3.4

6) ANALYSIS OF NET DEBT

	Unaudited 26 weeks ended 31 December 2022 £000	Unaudited 26 weeks ended 25 December 2021 £000	Audited 53 weeks ended 2 July 2022 £000
Net cash at bank	**11,501**	8,697	7,381
Loans after more than one year	**(34,209)**	(21,411)	(27,875)
Hire purchase obligations due within one year	**(56)**	(103)	(76)
Hire purchase obligations due after more than one year	**(57)**	(73)	(75)

Bank debt	**(34,322)**	(21,587)	(28,026)
Unamortised transaction costs	**1,020**	73	799
Bank debt net of unamortised transaction costs within one year	**143**	(103)	124
Bank debt net of unamortised transaction costs more than one year	**(33,445)**	(21,411)	(27,351)
Bank debt net of unamortised transaction costs excluding IFRS 16 lease liabilities	**(33,302)**	(21,514)	(27,227)
Bank debt (before IFRS 16 debt) net of cash at bank	**(22,821)**	(12,890)	(20,645)
Lease liabilities IFRS 16 within one year	**(1,665)**	(2,349)	(1,729)
Lease liabilities IFRS 16 after more than one year	**(7,500)**	(8,796)	(8,037)
Lease liabilities IFRS 16	**(9,165)**	(11,145)	(9,766)
Total Debt including IFRS 16 lease liabilities	**(30,966)**	(23,962)	(29,612)

7) SHARE CAPITAL

No shares were issued during the period or the comparative prior year period.

At 31 December 2022, 6,319,299 shares (H1 2021: 5,988,987) were held by the Finsbury Food Group Plc Employee Benefit Trust.

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