SMALL CHANGES **BIG DIFFERENCE**

Annual Report & Accounts 2014

Finsbury Food Group

Highlights

Adjusted* continuing profit before tax up 18% to £6.5 million (2013: £5.5 million).

2014 £6.5 million
2013 £5.5 million

Continuing Group revenue was broadly flat at £175.7 million (52 week period to 29 June 2013 was £176.6 million).

2014 £175.7 million
2013 £176.6 million

Continuing adjusted* diluted EPS up 6% to 6.3p (2013: 5.9p).

2014 6.3 pence
2013 5.9 pence

Capital investment spend up 48% to £6.2million (2013: £4.2 million).

2014 £6.2 million
2013 £4.2 million

Total net debt including deferred consideration payable was £8.8 million (2013: £7.4 million).

2014 £8.8 million
2013 £7.4 million

Proposed final dividend of 0.75 pence per share, taking the total dividend to 1.00 pence per share (2013: 0.75 pence per share) 33% increase YOY.

2014 1.00 pence
2013 0.75 pence

- UK Bakery Supplier of the Year 2013
- Investment in single serve Cake slice 'snap pack' successfully completed in the year as well as the largest cake bites robotic picking installation in the world
- Commissioning of speciality bread facility expansion during the year delivering 60% additional space at Nicholas & Harris
- Peter Baker appointed Non-Executive Director Chairman.

* These figures have been adjusted to eliminate the impact of the following charges required by IFRS and significant non-recurring items (see Note 5) for the 52 weeks ended 28 June 2014 and ended 29 June 2013:

	Income/(Expenditure)	
	2014 £000	Restated 2013 £000
Adjusted profit on continuing operations before tax	**6,470**	5,460
Significant non-recurring items (refer to Note 5 for detail)	**(759)**	(718)
Share options charge	**(9)**	(134)
Difference between defined benefit pension scheme charges and cash cost	**(61)**	775
Movement in the fair value of interest rate swaps	**708**	855
Movement in the fair value of foreign exchange contracts	**81**	(179)
Unwinding of the discount on deferred consideration payable	**(4)**	(32)
Unwinding of the discount on deferred consideration receivable	**150**	48
Profit on continuing operations before tax	**6,576**	6,075

* Refer to trading results section within the Strategic Report for further details on the adjusted profits.

The International Accounting Standards Board (IASB) has made a number of changes to IAS 19 Employee Benefits that came into force for accounting periods beginning on or after 1 January 2013. As this is the first year of accounting under this revised standard, the Company is also required to restate the accounts for the year ended 29 June 2013.

SUBTLE INVESTMENT **SIGNIFICANT BENEFITS**

Peter Baker
Non-Executive Chairman

Chairman's Statement

Some Chairmanships are a sinecure. Others demand active involvement. Given my preference for the latter form of engagement, I am delighted to have assumed the role of Chairman at such a pivotal moment in the history of Finsbury Foods.

We have achieved an encouraging degree of momentum in a difficult market.

A significant corner has been turned in recent years. The balance sheet is secured, investment in people and machinery has begun to bear fruit and scale benefits are being realised across the business.

I am pleased to report that our results for the current financial year are comfortably in line with the expectations of the markets and our shareholders.

We have achieved an encouraging degree of momentum in a difficult market against a backdrop of increasing commodity costs. There is a new Board, a fresh attitude and a sharpened appetite for progress.

I have worked in the Food and (on and off) the Bakery Industry for almost four decades. Throughout that period, two constants have remained unchanged – people and products. If the product is effective, you have a powerful springboard. Add the right people and you are primed to succeed.

Both those two elements are in place at Finsbury; we're producing great products on a consistent basis and have outstanding people in all spheres of the business.

Even in my short time with the Company I have seen confidence growing across the business; confidence in our relationships, confidence in our approach and strategy, confidence in the direction we're taking.

Travelling around our facilities provides further encouragement. The management team at Cardiff has exceptional talent and drive while the facility at Hamilton is equally well run. We have focused on doubling capacity at our platform at Nicholas & Harris, which has demanded internal focus and it is now fully commissioned.

Corporate governance standards have moved on apace and our new Board will continue to make significant improvements in this important area. There is a lot of brainpower around the table with comprehensive sector experience and a smaller Board will help our decision making become more nimble and decisive.

I would like to express my gratitude to our shareholders, to my fellow Directors and to each and every one of our employees for all their hard work. I would also like to place on record our continued appreciation for the enduring support and assistance of our bankers.

Treading water is not an option. Over the next three to five years, my tenure will be judged by a number of criteria:

a. Improving shareholder value

b. Acting justly and fairly towards our employees

c. And in a nutshell, growth.

It is a pivotal time for Finsbury Foods. We can bring about a degree of organic expansion but growth will primarily be realised through acquisition and mergers.

There is a window of opportunity in the markets and the Board is actively exploring investment options. Scale will stimulate fresh routes to market, diversification of our customer base and a new perception of the Company among analysts and stakeholders.

Is it possible for a relatively small, listed Group like Finsbury to double in size over a relatively short period? The management team believes that it is, providing we can find the right opportunities.

We've done the hard yards. Finsbury has invested in the business when others played safe, invested in people when our competitors did not. We are focussed on helping retailers respond to changing consumer needs by offering solutions that work.

The next stage requires foresight, courage and pragmatism. It demands an ability to sustain the pace of internal transformation while remaining sensitive to external opportunities. Given the obstacles overcome by the business in recent years, I have every confidence we shall continue to advance.

REDUCED COST BASE **INCREASED EFFICIENCY**

John Duffy
Chief Executive Officer

Chief Executive's Report

Finsbury Foods had two very different halves during the financial year. The first half maintained the hard-earned impetus of previous periods. Sales were marginally down but Profit Before Tax registered a 50% uplift, principally due to the decrease in interest charges following the sale of our Free From business.

We have underlined yet again our ability to achieve consistent results under demanding conditions.

The second period was more challenging. Commodity price inflation began edging back upwards with escalating costs in chocolate, butter, energy and labour. Our historical customer base was adjusting to meet the threat of value-oriented discounters and we found ourselves squeezed on all sides.

Refocus was imperative. Around the turn of the year, the management team set about eliminating £1m in annualised overhead costs and implemented a dramatic increase in capital spend. Significant projects included the installation of leading edge robotics at the cake factory in Scotland and extending space at Nicholas & Harris by 60%.

At the end of another exacting year, it gives me great pleasure to report a further rise in bottom line growth. We have good momentum slightly disguised by a poor market, underlining yet again our ability to achieve consistent results under demanding conditions.

Trading Performance
Results for the full 52-week period ending 28 June 2014 are described in greater depth in the Strategic Report but there are a number of areas I would like to take this opportunity to highlight:

- Group revenue from continuing operations £175.7 million (2013: £176.6 million)
- Profit before tax up 18% to £6.5 million (2013: £5.5 million)
- Total net debt £8.8 million (2013: £7.4 million)
- Adjusted diluted EPS 6.3p (2013: 5.9p)
- Final proposed dividend 0.75 pence per share, amounting to a total dividend of 1 pence per share (2013: 0.75 pence per share)
- Capital investment spend £6.2 million (2013: £4.2 million)
- Investment in single serve cake slice 'snap pack' successfully completed during the year as well as the largest cake bites robotic picking installation in the world
- Commissioning of speciality bread facility expansion, delivering 60% additional space at Nicholas & Harris.

Beyond The Numbers
Consumer behaviour has changed, polarising the marketplace. Having spotted an opportunity on margin, Aldi, Lidl and Pound Shops are reporting up to 30% year-on-year growth. Premium retailers, hindered by low food inflation, are struggling to retain market share.

For Finsbury Foods, the situation is delicate. There are self-evident sensitivities between our historical customer base and the burgeoning new players. Ultimately, you have to follow the consumer but existing relationships must be safeguarded.

Given our recent track record, one area of relative disappointment is the speciality bread business which had been enjoying double-digit growth. A flat year was primarily caused by market dynamics, specifically the impact of the so-called 'Bread Wars'.

Organic growth will be harder to come by. Acquisitions signpost the route forward but not at any price. The Board has been working assiduously to uncover investment opportunities but is not prepared to meet unrealistic valuations. I am confident that value expectations will start to temper in the near future and we will be ready to step in.

After years of dedicated service, Martin Lightbody has relinquished the role of Chairman. Having assumed the mantle under testing circumstances, Martin proved a steady figurehead during the turnaround phase, carrying out his duties with dedication and resilience. David Marshall and Crawford Currie have also stepped down from the Board after many years service and I would like to thank all three for the support and contribution.

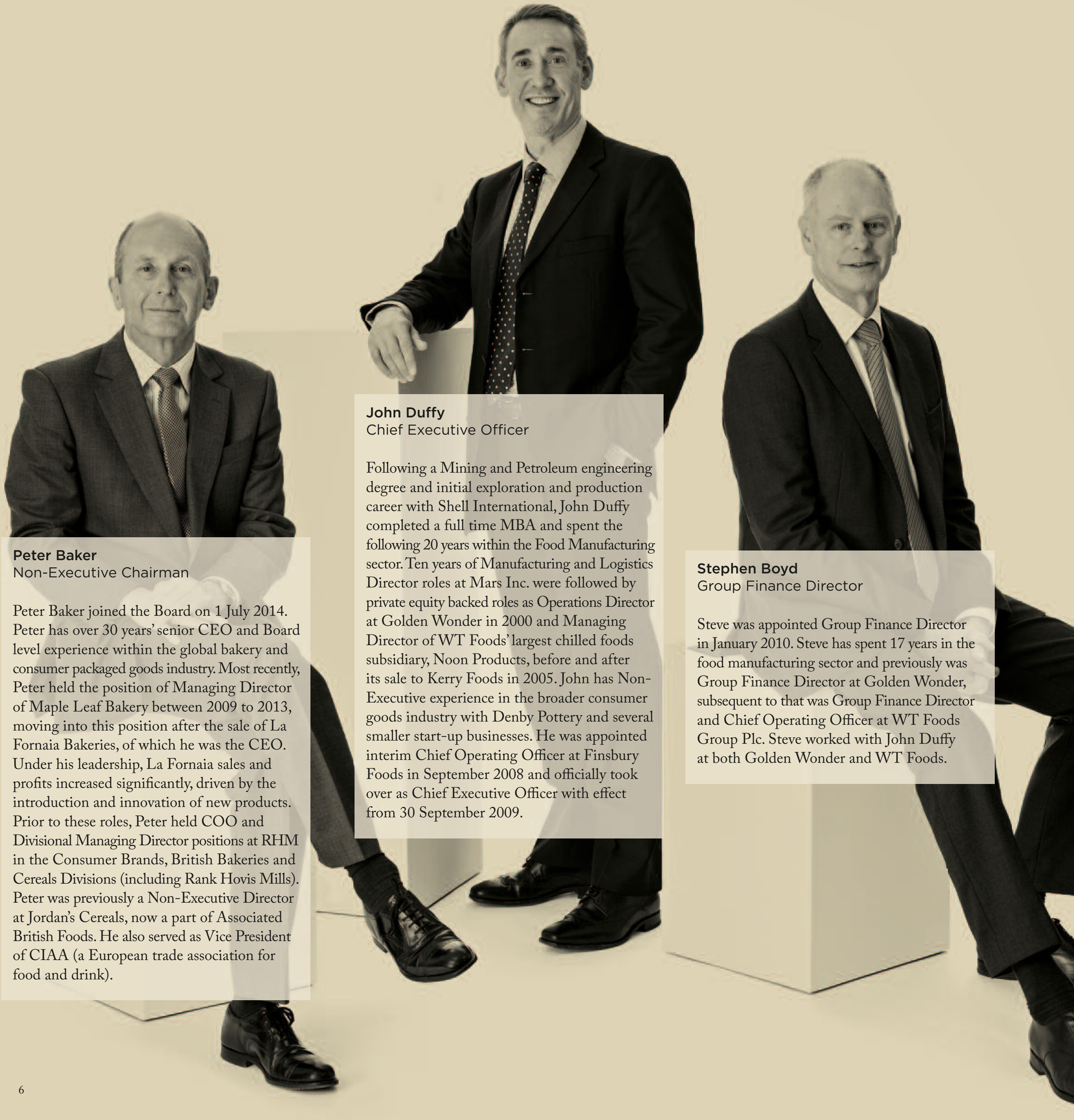
As of 1 July, the baton passed to the suitably surnamed Peter Baker. Steeped in industry experience at RHM Consumer Brands, British Bakeries and Rank Hovis Mills, Peter is committed to taking a proactive role on behalf of Finsbury, acting as a conduit for change.

It has taken a lot longer than I hoped or expected to get to this stage but recognition is spreading. In 2013, Finsbury Foods received the coveted Bakery Supplier of The Year Award while Martin Lightbody was voted Chairman of The Year at the Quoted Company Awards.

Finsbury Foods remains driven by a passion to meet consumer expectations for affordable quality food. We didn't install robots to keep pace with technology but to pass efficiencies down to our consumers, enhancing the appeal of our category and our cake.

Our course is set. The business environment isn't going to get any easier but doing the right things is the only long-term solution. We must persevere with internal investment, keep scanning the horizon for acquisitions and the right opportunities will come.

FOCUSED EXPERTISE **WIDER CONTRIBUTION**



John Duffy
Chief Executive Officer

Following a Mining and Petroleum engineering degree and initial exploration and production career with Shell International, John Duffy completed a full time MBA and spent the following 20 years within the Food Manufacturing sector. Ten years of Manufacturing and Logistics Director roles at Mars Inc. were followed by private equity backed roles as Operations Director at Golden Wonder in 2000 and Managing Director of WT Foods' largest chilled foods subsidiary, Noon Products, before and after its sale to Kerry Foods in 2005. John has Non-Executive experience in the broader consumer goods industry with Denby Pottery and several smaller start-up businesses. He was appointed interim Chief Operating Officer at Finsbury Foods in September 2008 and officially took over as Chief Executive Officer with effect from 30 September 2009.

Peter Baker
Non-Executive Chairman

Peter Baker joined the Board on 1 July 2014. Peter has over 30 years' senior CEO and Board level experience within the global bakery and consumer packaged goods industry. Most recently, Peter held the position of Managing Director of Maple Leaf Bakery between 2009 to 2013, moving into this position after the sale of La Fornaia Bakeries, of which he was the CEO. Under his leadership, La Fornaia sales and profits increased significantly, driven by the introduction and innovation of new products. 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 also served as Vice President of CIAA (a European trade association for food and drink).

Stephen Boyd
Group Finance Director

Steve was appointed Group Finance Director in January 2010. Steve has spent 17 years in the food manufacturing sector and previously was Group Finance Director at Golden Wonder, subsequent to that 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.

Paul Monk
Non-Executive Director
Deputy Chairman

Paul Monk was appointed to the Board on 9 December 2002 and elected as joint Deputy Chairman in February 2007. He has extensive experience in the food manufacturing industry, was the Chief Executive of Golden Wonder Ltd and his other experience includes roles with Marks & Spencer and the Mars Corporation. He also holds other Non-Executive roles within the food industry.

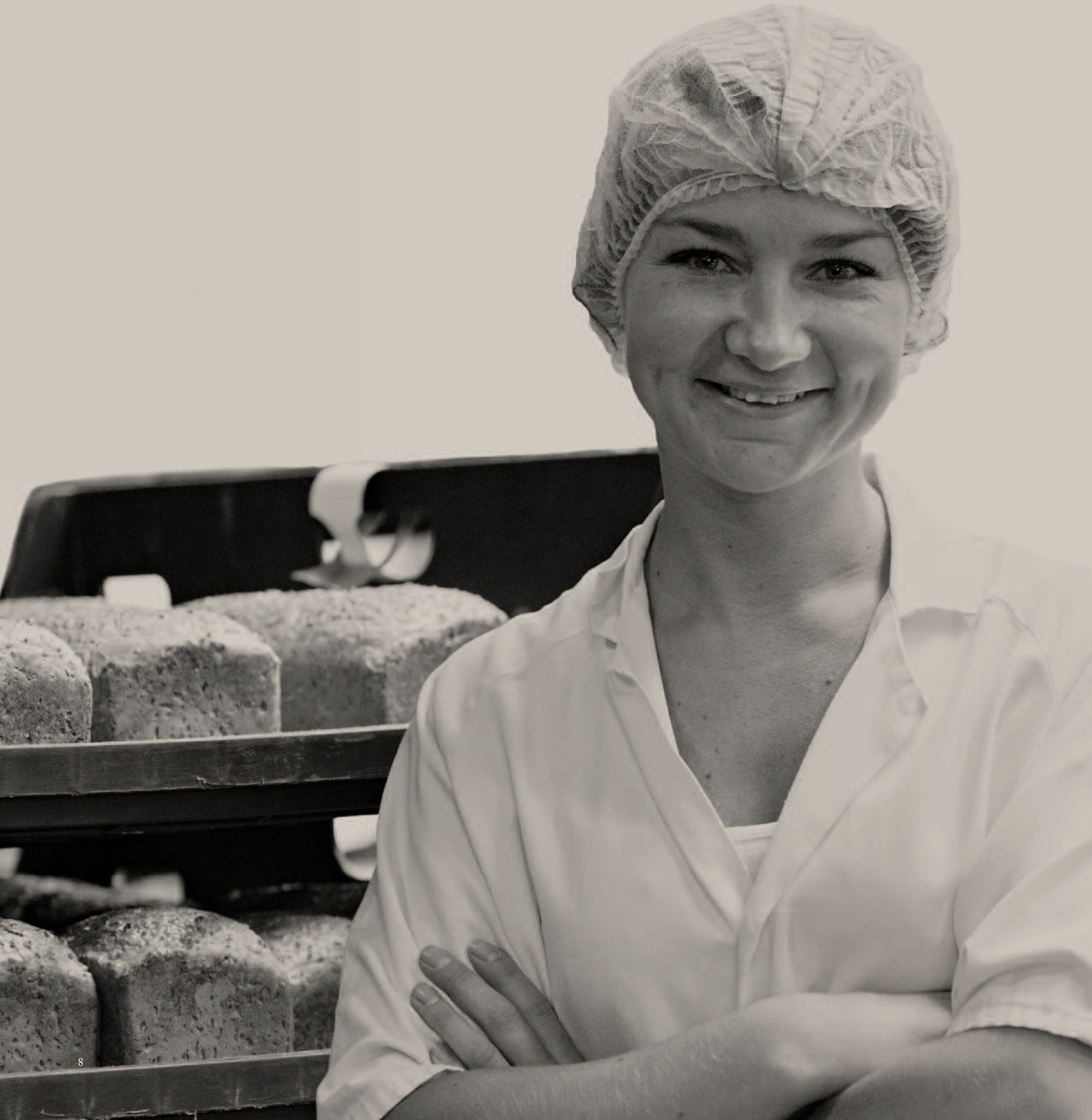
Edward Beale
Non-Executive

Edward Beale was appointed a Director on 29 August 2002. He is a chartered accountant and the Chief Executive of City Group Plc, the Company's Company Secretary. He was a member of the Accounting Standards Board and subsequently the Accounting Council of the FRC for 6 years to August 2013. He is a member and former Chairman of the Quoted Corporate Alliance's Corporate Governance Committee. He is Chairman of Marshall Monteagle Plc and a Non-Executive Director of a number of other companies. He sits on both the Audit and Remuneration Committee.

Raymond Duignan
Non-Executive

Raymond Duignan 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-1990's advising the European food and drink industries with clients including many blue chip companies. He is currently a member of the Advisory Boards of Tate & Lyle Ventures and Active Private Equity and Chairman of the Consumer Practice at Newton, the operations and supply chain consulting firm. He is Chairman of both the Audit and Remuneration Committees.

RATIONALISED PROCESS **INCREASED PRODUCTIVITY**



The Group will continue to invest in production capability and people, there will be an element of organic expansion but growth will primarily be realised through acquisition and mergers which will in turn help us respond to consumer needs through diversification of products and customer bases. Working with retailers to meet changing consumer needs is key, in addition to this the focus will be on growth, improving shareholder perception of value and investing in employees.

We are working with retailers to meet changing consumer needs, and responding by diversifying our products and customer bases.

Our Markets
The total annual UK ambient cake market (including pre-packed cake and in-store bakery) is valued at £924 million (source: Symphony IRI w/e 21 Juner 2014). The past 12 months has seen value sales decline by -2.4% and unit sales decline by -4.9%. We continue to be the second largest supplier of ambient cake to the UK's multiple grocers and have maintained our leading position in the niche areas on which we focus.

Annual bread and morning goods sales are in excess of £3.5 billion (source: Kantar Worldpanel), although the market remains flat. We are a niche player in this market, focusing on speciality breads and rolls. The retail environment remains challenging as consumers struggle to stretch household budgets, but Nicholas & Harris are trading with key customers that are outperforming the market and so are well placed when the economic climate improves for UK shoppers.

Our Business
The Group consists broadly of the following businesses:

UK Bakery
Lightbody of Hamilton Ltd ('Lightbody'), based in Hamilton, employs over 1,100 people and is the UK's largest supplier of Celebration cakes with Disney, Nestlé, WeightWatchers and Thorntons product within its Licenced Portfolio as well as Own Label Cake. It also produces a wide range of sweet snacking products, slices and in store bakery (ISB) bites, a number of which are under our licensed brands including Nestlé, Thorntons, and WeightWatchers.

Memory Lane Cakes Ltd ('Memory Lane') is based in Cardiff and employs around 800 permanent staff as well as agency at high promotional and seasonal peak times. It is the leading manufacturer of the UK retailers premium own label cake ranges. It also produces under a number of brands including Nestlé, Thornton's, WeightWatchers and its own Memory Lane brand.

Nicholas & Harris Ltd. (N&H), based in Salisbury, employs around 280 people and produces a range of speciality breads to UK retailers. Its focus is on 'clean label' breads, rolls and buns. Within its brand portfolio, N&H has Vogel's seeded bread, Cranks Organic and Village Bakery Rye bread, all of which have outperformed the bread market. The past year has been one of significant change in the bakery, with a 60% increase in its footprint to allow more efficient distribution and space for future growth. Baking capacity has also been increased by 25%. The business is now in a strong position to benefit from improvements in trading conditions in the UK.

Brands and Licences
The Group remains primarily a retailer branded business with sales of retailer own label products accounting for around 60% of our total revenue. The balance represents the strength of the licensed brands under our control.

WeightWatchers
WeightWatchers remains one of the largest food brands in the UK and we hold the licence to manufacture and distribute low fat cake to the UK and Ireland's grocers under this brand. The Low Fat cake category continues to struggle in the face of recessionary pressures on household budgets. However, this year WeightWatchers has again successfully grown its share of this category. Since the summer of 2013 we have undertaken a number of significant innovation projects under the WeightWatcher brand. Initially moving the slices into a new individually wrapped snack pack format to broaden the appeal of the offering and open new usage occasions, then incorporating a new pack design onto the slices range in June 2014. This new pack design will be rolled out across the remaining products in the WeightWatchers Cake range later in 2014.

Thorntons
The Group continues to develop its branded offering via its licensing arrangement with the Thorntons confectionery business. Thorntons is the 4th largest brand in the market place and continues to grow its unit sales, in so doing outperforming the market and all key competitors over the last 52 weeks (Source: Symphony IRI). Thorntons remains the dominant player within the Bites market holding a market share in excess of 40%, and 2014 has seen the introduction of two new products which will further enhance our position within this key segment.

Nestlé Confectionery
We continue to manufacture and distribute Cake Products under the Nestlé Confectionary Brands. In 2014 the brand outperformed the market and has returned to growth driven by products under the Smarties, Yorkie, Aero and Funtastic Brands.

Disney
Our successful range of Disney Celebration cakes continues to evolve and has grown by over 20% in the last 52 weeks. Properties within the portfolio include Disney Princess, Cars, Fairies, Avengers and Spiderman. The Disney portfolio is a core part of our overall Celebration cake business and plays an important role in retaining our position as the largest supplier of Celebration cake to the UK's multiple grocers.

Other Celebration Cake Licences
These four major brands are complemented by a range of other licences which are particularly focused on driving Celebration cake sales. Evergreen properties such as Peppa Pig, Hello Kitty, and Me To You, are complemented by more trend led licenses such as One Direction and, later this year the new Despicable Me offer, to provide a compelling offer across all key target markets. This portfolio of licenses has played a key role in growing our market share of the UK Celebration cake market.

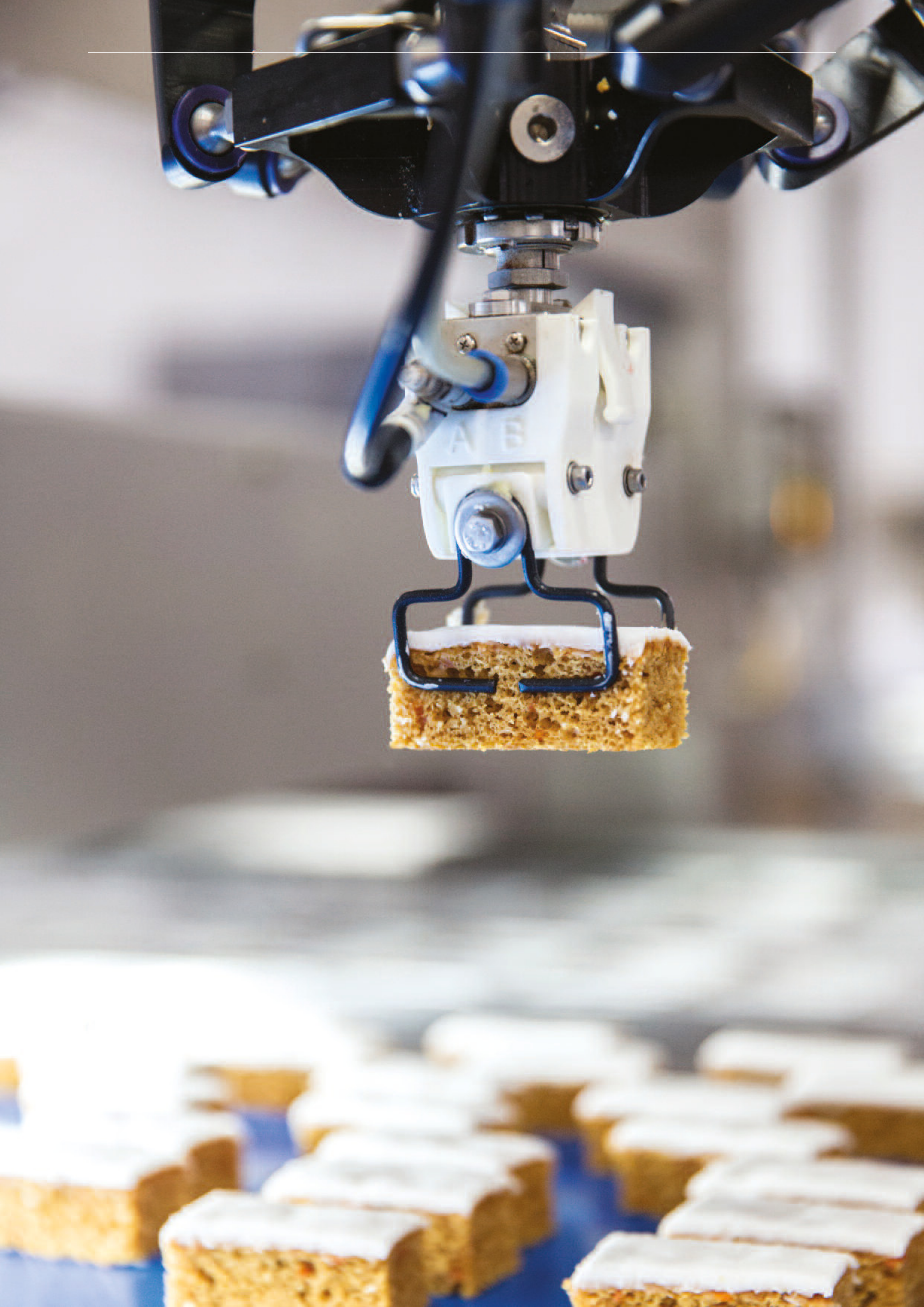
Speciality Bread Licences
Nicholas & Harris bakery has three brands which it continues to develop and market under the long-term licence agreements, along with LivLife which was developed and launched by Nicholas & Harris. In what has been a volatile and turbulent year in the bread market with sales declining 3.4% in value and 2.3% volume, Vogel's, Crank's and The Village Bakery Rye breads have maintained their position. The repositioning of Vogel's from 'Experts in Seeds and Grains' to 'Crammed to Bursting' have given additional traction to the PR activity, gaining new followers on Facebook and now over 2,000 new Twitter followers. Village Bakery continues to demonstrate a loyal customer following, with further interest being shown in the sector where the use of 'no added wheat' is a key part of the brand. Cranks is being relaunched this year with the main focus still being on 'real bread' but with the added addition of vegetables. This is being supported by PR and advertising campaigns later in the year. LivLife having been launched in July 2013, is showing continued interest in both people who wish to reduce carbs and people who have diabetes type 2.

Overseas
The Group's 50% owned Company Lightbody Stretz Ltd, supplies and distributes the Group's UK manufactured products and third party products primarily to Europe.

Principal Risks and Uncertainties
The Group operates in an environment which is continually changing and as a result the risks it faces will also change over time. 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. A formal review of these risks is carried out by the Group on an annual basis. The review process involves the identification of risks, assessment to determine the relative likelihood of them impacting the business and the potential severity of the impact, and determination of what needs to be done to manage them effectively.

The Directors have identified the following as the principal risks and uncertainties that face the Group.

Competitive Environment and Customer Requirements
There is currently over capacity in the market place and competition is strong between manufacturers in the Bakery sector. The monitoring of key performance indicators at customer level such as service levels and customer complaints is part of the risk management process associated with this specific risk. Strong customer service, quality products, low costs and innovative new product development are areas of focus to satisfy customer needs and remain strong in a competitive environment. The Group has invested heavily in category management, new product development and marketing skills. This investment has helped create an insight into customers and consumer demands. Continual monitoring of customer KPI's and production quality measures take place to ensure customer requirements are being met and issues are identified in a timely manner to limit their impact.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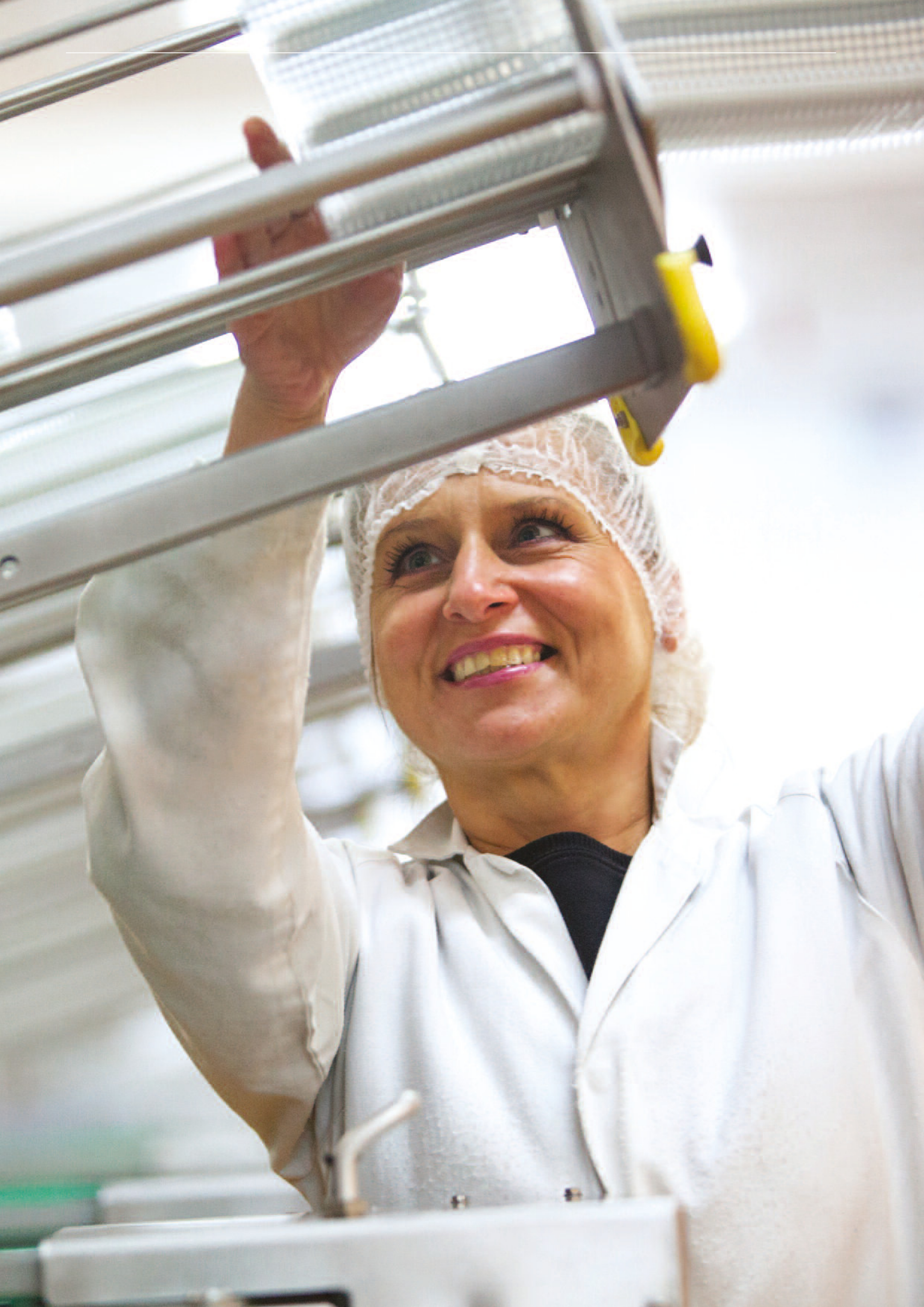
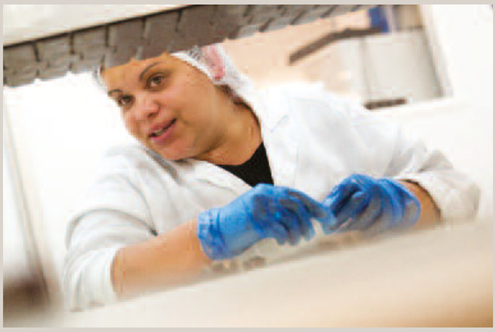




Product Quality
Product quality is a key strength of the Group and failure to maintain a high standard of food quality and safety would have a severe impact on service levels and customer relationships. The Group's quality assurance procedures, managed at site level, are reviewed continuously with improvements made as appropriate. The Group's Technical Director helps provide focus to ensure there is continuous improvement across all sites to meet the increasingly high expectations of our customers. The operating subsidiaries are subject to regular internal and independent food safety and quality control audits including those carried out by, or on behalf of, our customers. The Group maintains product recall insurance cover to mitigate the potential impact of such an occurrence.

Prices and Supply
Increases in the price and volatility of price of raw materials along with increasing utility costs can impact the core profitability of the business and any related shortage in supply of raw materials will impact the business' ability to maintain its service levels to customers – another of its key performance indicators. The prices of certain key commodities (e.g. sugar) are tied to the Euro – the relative strength of sterling and future volatility within the Eurozone will, therefore, have an impact on the cost of these commodities.

Affordability for consumers is essential and the Group will focus on internal efficiencies and productivity initiatives to lessen the rising commodity price impact on consumers. The Group maintains a high level of expertise in its buying team and will consider long-term contracts where appropriate to reduce uncertainty in input prices. The team also cultivates strong relationships with its major suppliers to ensure continuity of supply at competitive prices. Regular renovation and innovation in our product range can help to manage margin pressures in an effective manner as far as the competitive environment allows. The Group also purchases forward foreign currency in order to minimise the fluctuation of input costs linked to future currency conversion rates.

Economic Environment
The economic environment remains challenging, with consumer behaviour changing and a shift toward value-oriented discounters. The Group will continue to focus on quality and value for money in periods of reduced spending. The Group manages margins through investing in site capabilities such as leading edge robotics to increase efficiency and effectively manage capacity. Innovation and development of products that stand out from the crowd help maintain strong relationships with customers and licensors. We are driven by a passion to meet consumer expectations at affordable quality.

Trading Results
Continuing Group revenue for the 52 week period to 28 June 2014 was £175.7 million (2013: £176.6 million).

Gross margin for the financial year was 27.4% (2013: 26.3%). Commodity price inflation began edging back upwards during the second half of the year with escalating costs in chocolate, butter, energy and labour. The outlook is that some volatility is expected in key ingredients driven by market risks.

Administrative expenses on continuing activities have increased by £1.0 million year on year through increased marketing support, new product development and range support. Inflationary increases and employee pay rises have been offset largely by operational improvements and returns from capital investment.

The following analysis is included to show what the Directors consider to be the underlying performance of the Group and eliminates the impact of significant non-recurring items and certain charges required by IFRS.

52 week period ended 28 June 2014

	Operating performance £000	Non-recurring significant items £000	Share options charge £000	Defined benefit pension scheme £000	Fair value of interest rate swaps/ foreign exchange contracts £000	Unwinding of discount on deferred consideration £000	As per Consolidated Statement of Comprehensive Income £000
Continuing operations							
Revenue	**175,708**	-	-	-	-	-	175,708
Cost of sales	**(127,530)**	-	-	-	-	-	(127,530)
Gross profit	**48,178**	-	-	-	-	-	48,178
Other costs excluding depreciation & amortisation	**(37,471)**	(759)	(9)	71	81	-	(38,087)
EBITDA	**10,707**	(759)	(9)	71	81	-	10,091
Depreciation & amortisation	**(2,999)**	-	-	-	-	-	(2,999)
Results from operating activities	**7,708**	(759)	(9)	71	81	-	7,092
Finance income	**-**	-	-	862	708	150	1,720
Finance costs	**(1,238)**	-	-	(994)	-	(4)	(2,236)
Profit before tax	**6,470**	(759)	(9)	(61)	789	146	6,576
Taxation	**(1,519)**	171	2	(73)	(195)	(37)	(1,651)
Profit after tax	**4,951**	(588)	(7)	(134)	594	109	4,925

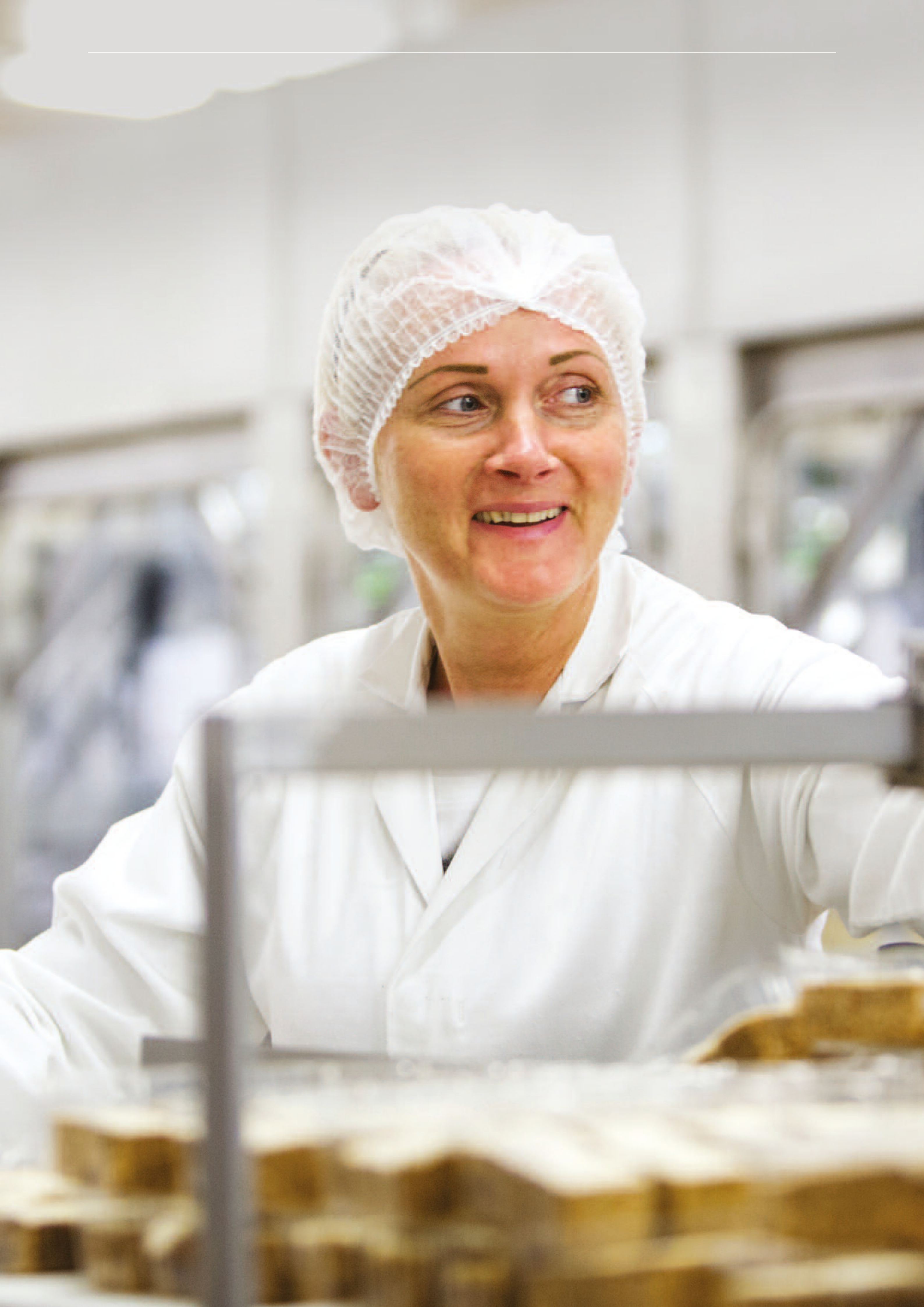
The taxation on IFRS charges includes an element of rate change on opening balances from 23% to 20%.

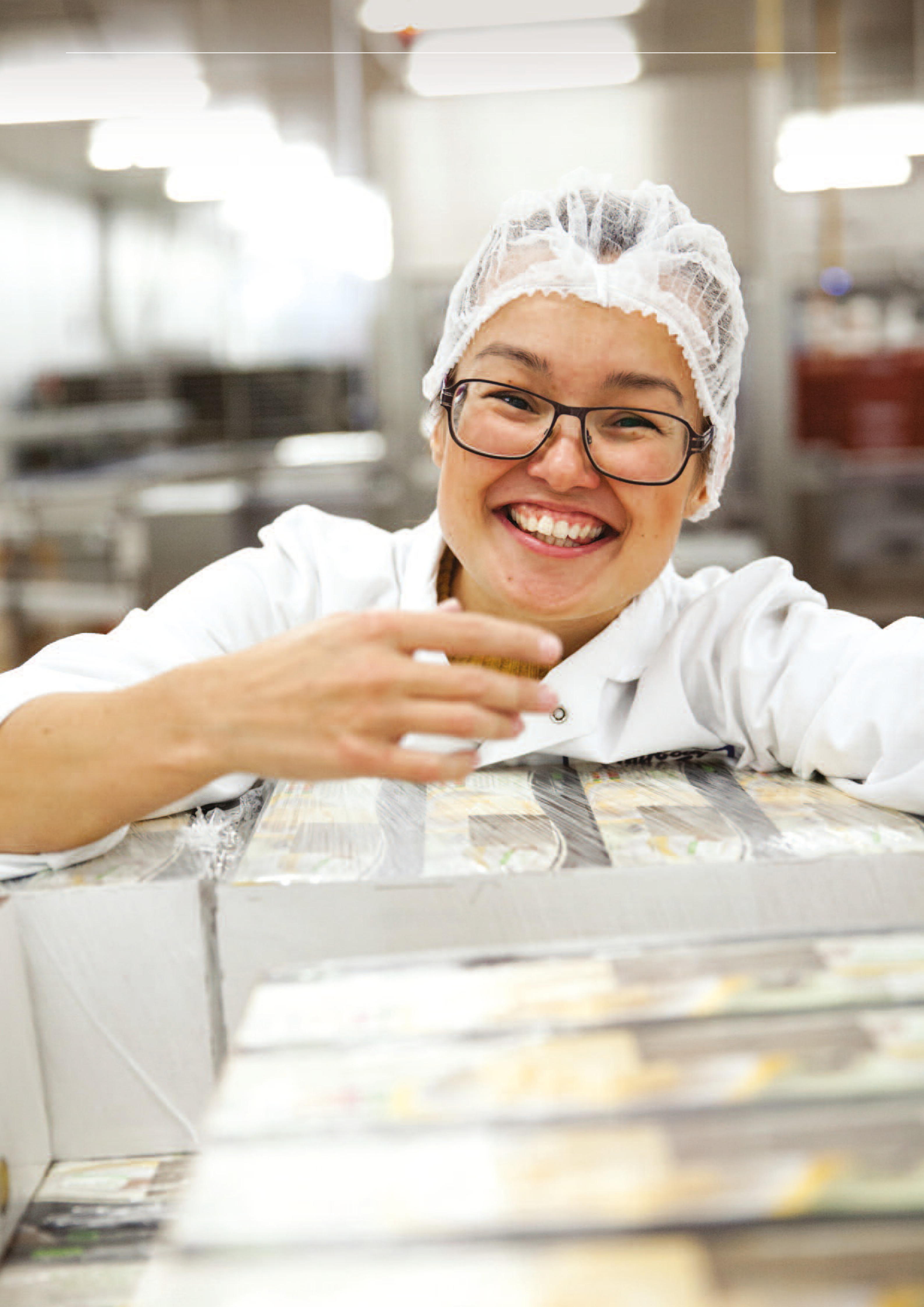
52 week period ended 29 June 2013 (restated)

	Operating performance £000	Non-recurring significant items £000	Share options charge £000	Restated* defined benefit pension scheme £000	Fair value of interest rate swaps/ foreign exchange contracts £000	Unwinding of discount on deferred consideration £000	As per Consolidated Statement of Comprehensive Income £000
Continuing operations							
Revenue	**176,595**	-	-	-	-	-	176,595
Cost of sales	**(130,150)**	-	-	-	-	-	(130,150)
Gross profit	**46,445**	-	-	-	-	-	46,445
Other costs excluding depreciation & amortisation	**(36,511)**	(718)	(134)	915	(179)	-	(36,627)
EBITDA	**9,934**	(718)	(134)	915	(179)	-	9,818
Depreciation & amortisation	**(2,495)**	-	-	-	-	-	(2,495)
Results from operating activities	**7,439**	(718)	(134)	915	(179)	-	7,323
Finance income	**1**	-	-	826	855	48	1,730
Finance costs	**(1,980)**	-	-	(966)	-	(32)	(2,978)
Profit before tax	**5,460**	(718)	(134)	775	676	16	6,075
Taxation	**(1,110)**	165	31	(209)	(174)	(3)	(1,300)
Profit after tax	**4,350**	(553)	(103)	566	502	13	4,775
Discontinued operations							
Profit after tax – discontinued	**1,850**	1,184	-	-	-	-	3,034
Profit after tax	**6,200**	631	(103)	566	502	13	7,809

The taxation on IFRS charges includes an element of rate change on opening balances from 24% to 23%.

* The International Accounting Standards Board (IASB) has made a number of changes to IAS 19 Employee Benefits that came into force for accounting periods beginning on or after 1 January 2013. As this is the first year of accounting under this revised standard, the Company is also required to restate the accounts for the year ended 29 June 2013. Details are given in the accounting policies note.





Earnings Per Share (EPS)

EPS comparatives to the prior year can be distorted by significant non-recurring items and IFRS adjustments. The Board is focused on growing adjusted diluted EPS, which is calculated by eliminating the impact of the items highlighted above and incorporates the dilutive effect of share options. Continuing adjusted diluted EPS is 6.3p for the 52 week period (2013: 5.9p).

	Continuing 2014	Continuing (restated) 2013	Discontinued*** 2013
Basic EPS	6.7p	7.2p	5.1p
Adjusted* basic EPS	6.7p	6.5p	3.1p
Diluted** basic EPS	6.3p	6.6p	4.6p
Adjusted* diluted EPS**	**6.3p**	**5.9p**	**2.8p**

* Adjusted EPS measures are calculated by eliminating the impact of significant non-recurring items and IFRS adjustments. Further details can be found in Note 10.

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

*** Discontinued basic and diluted basic includes the profit on the sale of the discontinued business.

Financial Key Performance

KPI	**2014**	2013	2012	2011	2010
Revenue – continuing	£175.7m	£176.6m	£178.9m	-	-
Revenue – discontinued	-	£19.7m	£28.5m	-	-
Revenue	-	£196.3m	£207.4m	£189.6m	£168.3m
Adjusted EBITDA – continuing	£10.7m	£9.9m	£9.6m	-	-
Adjusted EBITDA – discontinued	-	£2.6m	£2.8m	-	-
Adjusted EBITDA	-	£12.5m	£12.4m	£11.5m	£11.0m
Net bank debt	£8.8m	£7.2m	£32.6m	£32.7m	£36.5m
Net debt including deferred consideration payable	£8.8m	£7.4m	£33.9m	£37.1m	£42.6m
Net debt including deferred consideration payable and receivable	£5.9m	£4.7m	£33.9m	£37.1m	£42.6m

EBITDA is calculated as earnings before interest, taxation, depreciation and amortisation.
Net bank debt is calculated as overdrafts, bank loans, asset finance and mortgages less cash balances and before unamortised bank fees.

Non-Financial Key Performance Indicators

A range of non-financial key performance indicators are monitored at site level covering, amongst others, customer service, quality and health and safety. The Group Board receives an overview of these on a regular basis.

Disposals

In the prior year comparatives on 27 February 2013 the Group sold its Free From business for a total value of approximately £21 million of which £3 million is deferred to 27 February 2015.

The Free From business consisted of two subsidiaries, Livwell Limited ("Livwell") and United Bakeries (Holdings) Limited ("UBH") (the holding company of United Central Bakeries Limited ("UCB")). These subsidiaries, which accounted for approximately 14% of prior year Group revenues, were sold to Genius Foods Limited ("Genius"), on a debt-free, cash-free basis.

Cash Flow

There was an increase in our working capital requirement of £2.2 million compared to the last financial year. Corporation tax payments made in the financial year totalled £1.7 million (2013: £1.8 million), the payments in the current year took account of the research and development tax relief due to the Group. Capital expenditure in the year amounted to £6.2 million (2013: £4.2 million).

Debt and Bank Facilities

The Group's total net debt including deferred consideration payable is £8.8 million (2013: £7.4 million) up £1.4 million from prior year.

The Group's total net bank debt excluding deferred consideration after deducting cash balances as at 28 June 2014 was £8.8 million (2013: £7.2 million). Within this total net bank debt, £5.1 million is due within one year, including cash at bank and invoice finance (2013: £2.8 million).

The Group's debt facility with HSBC Bank Plc totals £32.0m, the key features of the facility are as follows:

- Overdraft (£3.0m)
- Confidential invoice discounting facility (£15.0m)
- Mortgage facility (£4.0m)
- Rolling asset finance facility (£2.0m)
- Revolving credit facility (£8.0m).

Note 20 gives details of the drawn amounts and maturity dates.

The Group is able to offer strong asset backing to secure its borrowings. The Group owns freehold sites at Memory Lane in Cardiff and Lightbody and Campbells in Scotland. In addition, the Group has a strong trade debtor book to support the invoice discounting facility, made up primarily of UK's major multiple retailers. This debtor book stood at £22.4 million (2013: £21.9 million) at the period end date.

The Group recognises the inherent risk from interest rate rises. To mitigate these risks, the Group has three interest rate swaps in place with a total coverage of £14.0 million (2013: £18.0 million) equivalent to 159% (2013: 250%) of year end net bank at a weighted average rate of 2.5% (2013: 4.0%).

The effective interest rate for the Group at the year end, taking account of the interest rate swaps in place and deferred consideration with base rate at 0.5% and LIBOR at 0.69%, was 4.27% (2013: 5.97%).

Financial Covenants

The Board reviews the Group's cash flow forecasts and key 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.

Interest cover (based on adjusted EBITDA) for the 52 weeks to 28 June 2014 was 8.6 (2013: 6.3). Net bank debt to EBITDA (based on adjusted EBITDA) for the year to 28 June 2014 was 0.8 (2013: 0.6).

Taxation

The Group taxation charge on continuing operations for the year was £1.7 million (2013: £1.3 million). This represents an effective rate of 25.1% (2013: 21.4%). The current year contains a revaluation of net opening deferred tax asset balances from 23% to 20% amounting to a charge in the year of £197,000. The effective rate excluding this revaluation would be 22.1%.

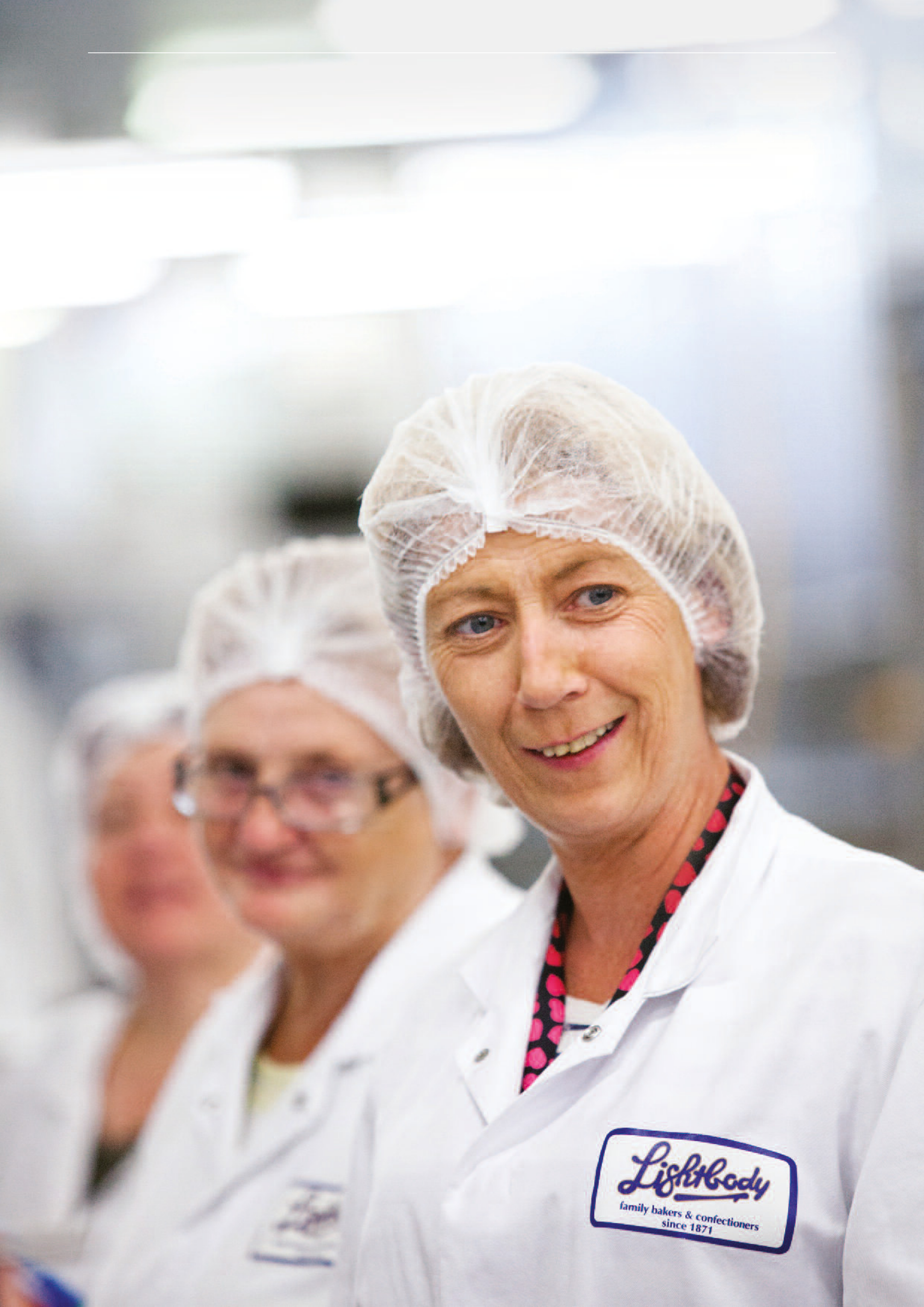
Further details on the tax charge can be found in Note 9 to the Group's Financial Statements.

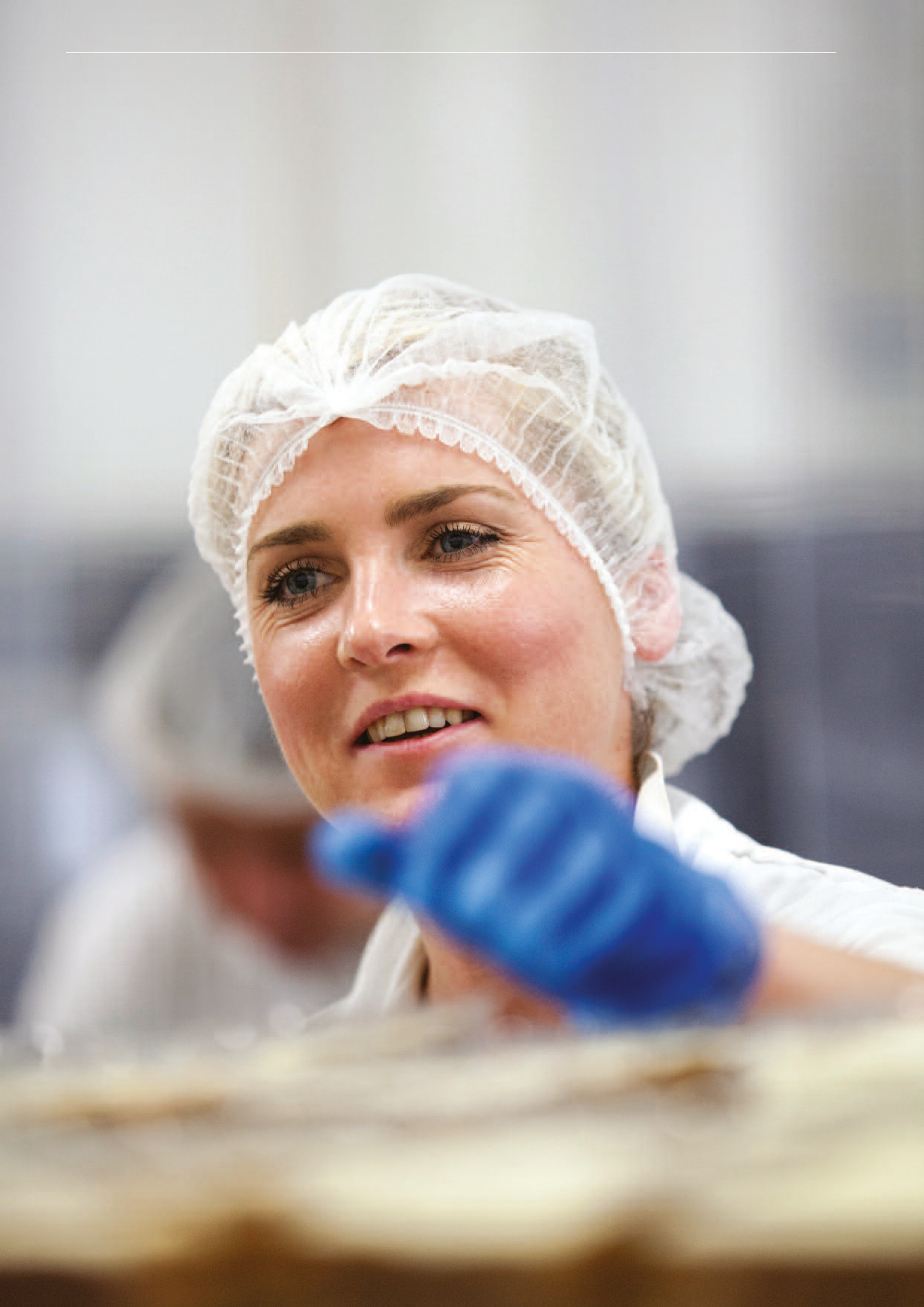
Environmental Matters

The Group continues to focus on packaging reduction through innovation and has delivered further reductions across the business. The Group continues to take the key learning and successes from the Cake Category and applying them across other areas of the business to deliver category leading innovative solutions.

Mandatory participation in the CRC Energy Efficiency Scheme (formerly known as the Carbon Reduction Commitment) focuses the Group to reduce its carbon emissions. New production capability, which is in the process of being commissioned in Hamilton, will further reduce the consumption of cardboard and reduce food waste. Work with local universities on shelf life of product will lead to waste reduction of the coming years. We are also presently formulating our Environmental Sustainability Strategy within Cake.

Nicholas & Harris remains a 'landfill-free' site and all waste materials are recycled.


Lightbody
family bakers & confectioners
since 1871



All manufacturing sites are active within their local community.

Employee Social and Community Issues
All manufacturing sites are active within their local community supporting local community initiatives. The Group also supports local and national government initiatives such as the New Work programme.

We donate regularly to local and national charities in terms of both product and fund raising activities at all sites.

We work closely with local universities business projects and placements and plan to continue this partnership work further in several areas of training, development and project work. They continue to invest in training and development of the workforce supporting a programme of vocational qualifications.

Eight Bakers have qualified from the Nicholas & Harris bakers' apprenticeship scheme this year, with City and Guilds' qualifications, adding to the 13 that qualified in 2013. Nicholas & Harris have continued in their support of the local community, including sponsorship of the internationally renowned Salisbury Arts Festival.

Technical Matters
The focus in 2014 has been improving the strength of the teams to be able to deliver the challenging strategic objectives for the next three years. In particular this has focussed on strong Process and Compliance resource to drive root cause analysis and embed a continuous improvement culture.

Retail customers have placed a much stronger focus on unannounced audits across the whole supply base in the wake of 'Horsegate'. All Finsbury sites have performed well against these requirements and end the year maintaining strong BRC A and A* grades.

Strengthening the Development teams and processes at the front end of the business has started to improve the quality of products launched which in turn is driving down complaints. The Development teams have made significant progress in translating the category priorities into innovation and new products and this has been key to cementing customer relationships.

The Strategic Report was approved by the Board of Directors on 19 September 2014 and was signed on its behalf by:

Stephen Boyd
Director

SMALL DETAILS **BIG PICTURE**

Financial Statements

Consolidated Statement of Profit and Loss and Other Comprehensive Income

for the 52 weeks ended 28 June 2014 and 29 June 2013

	Note	2014 £000	Restated 2013 £000
Continuing operations			
Revenue	3	**175,708**	176,595
Cost of sales		**(127,530)**	(130,150)
Gross profit		**48,178**	46,445
Administrative expenses	4	**(41,086)**	(39,122)
Results from operating activities		**7,092**	7,323
Finance income	8	**1,720**	1,730
Finance cost	8	**(2,236)**	(2,978)
Net finance cost		**(516)**	(1,248)
Profit before tax from continuing operations		**6,576**	6,075
Taxation	9	**(1,651)**	(1,300)
Profit from continuing operations		**4,925**	4,775
Profit from discontinued operations net of tax	2	**-**	1,850
Profit from sale of business	2	**-**	1,184
Profit for the year		**4,925**	7,809
Other comprehensive (expense)/income			
Items that will not be reclassified to profit and loss			
Remeasurement on defined benefit pension scheme	16	**(726)**	(543)
Movement in deferred taxation on pension scheme liability	24	**145**	125
Total items that will not be reclassified to profit and loss		**(581)**	(418)
Items that are or maybe reclassified to profit and loss			
Foreign exchange translation differences		**-**	69
Other comprehensive expense for the financial year, net of tax		**(581)**	(349)
Total comprehensive income for the financial year		**4,344**	7,460
Profit attributable to:			
Equity holders of the parent		**4,400**	7,345
Non-controlling interest		**525**	464
Profit for the financial year		**4,925**	7,809
Total comprehensive income attributable to:			
Equity holders of the parent		**3,819**	6,996
Non-controlling interest		**525**	464
Total comprehensive income for the financial year		**4,344**	7,460
Earnings per ordinary shares			
Basic	10	**6.7**	12.3
Diluted	10	**6.3**	11.2
Adjusted earnings per ordinary shares			
Basic	10	**6.7**	6.5
Diluted	10	**6.3**	5.9
Continuing			
Basic	10	**6.7**	7.2
Diluted	10	**6.3**	6.6
Discontinued			
Basic	10	**-**	5.1
Diluted	10	**-**	4.6

Consolidated Statement of Financial Position

at 28 June 2014 and 29 June 2013

	Note	2014 £000	2013 £000
Non-current assets			
Intangibles	12	**52,968**	53,133
Property, plant and equipment	13	**21,541**	18,209
Other financial assets – investments	14	**28**	28
Deferred tax assets	24	**1,350**	1,917
Deferred consideration receivable	15	**-**	2,745
		75,887	76,032
Current assets			
Deferred consideration receivable	15	**2,895**	-
Inventories	17	**4,530**	4,400
Trade and other receivables	18	**24,832**	25,337
Cash and cash equivalents	19	**592**	1,310
		32,849	31,047
Total assets		**108,736**	107,079
Current liabilities			
Other interest-bearing loans and borrowings	20	**(5,718)**	(3,921)
Trade and other payables	22	**(30,736)**	(33,054)
Provisions	23	**(237)**	(501)
Deferred purchase consideration		**-**	(216)
Other financial liabilities – fair value of interest rate swaps/foreign exchange	14	**(451)**	(1,240)
Current tax liabilities		**(28)**	(456)
		(37,170)	(39,388)
Non-current liabilities			
Other interest-bearing loans and borrowings	20	**(3,612)**	(4,342)
Provisions and other liabilities	23	**(199)**	(218)
Deferred tax liabilities	24	**(422)**	(405)
Pension fund liability	16	**(3,630)**	(2,843)
		(7,863)	(7,808)
Total liabilities		**(45,033)**	(47,196)
Net assets		**63,703**	59,883
Equity attributable to equity holders of the parent			
Share capital	27	**669**	642
Share premium account	26	**31,480**	30,779
Capital redemption reserve	26	**578**	578
Retained earnings	26	**29,849**	26,865
		62,576	58,864
Non-controlling interest		**1,127**	1,019
Total equity	26	**63,703**	59,883

These Financial Statements were approved by the Board of Directors on 19 September 2014 and were signed on its behalf by:

Stephen Boyd
Director

Registered Number 204368

Consolidated Statement of Changes in Equity

for the 52 weeks ended 28 June 2014 and 29 June 2013

	Note	Share capital £000	Share premium £000	Capital redemption reserve £000	Retained earnings £000	Non-controlling interest £000	Total equity £000
Balance at 1 July 2012		535	27,052	578	19,389	886	48,440
Profit for the financial year		-	-	-	7,788	464	8,252
Effect of change in accounting policy on adoption of IAS19 (revised)		-	-	-	(443)	-	(443)
Profit for the financial year (restated)		-	-	-	7,345	464	7,809
Other comprehensive income/(expense):							
Remeasurement of defined benefit pension	16	-	-	-	(1,118)	-	(1,118)
Deferred tax movement on pension scheme remeasurement	24	-	-	-	257	-	257
Foreign exchange translation differences		-	-	-	69	-	69
Total other comprehensive expense		**-**	**-**	**-**	**(792)**	**-**	**(792)**
Effect of change in accounting policy on adoption of IAS19 (revised)		-	-	-	443	-	443
Total other comprehensive expense (restated)		**-**	**-**	**-**	**(349)**	**-**	**(349)**
Total comprehensive income for the period		**-**	**-**	**-**	**6,996**	**464**	**7,460**
Transactions with owners, recorded directly in equity:							
Shares issued during the year	27	107	3,727	-	-	-	3,834
Impact of share based payments	27	-	-	-	134	-	134
Deferred tax on share options		-	-	-	506	-	506
Dividend paid	28	-	-	-	(160)	(331)	(491)
Balance at 29 June 2013		**642**	**30,779**	**578**	**26,865**	**1,019**	**59,883**
Balance at 30 June 2013		642	30,779	578	26,865	1,019	59,883
Profit for the financial year		-	-	-	4,400	525	4,925
Other comprehensive (expense)/income:							
Remeasurement on defined benefit pension	16	-	-	-	(726)	-	(726)
Deferred tax movement on pension scheme remeasurement	24	-	-	-	145	-	145
Foreign exchange translation differences		-	-	-	-	-	-
Total other comprehensive expense		**-**	**-**	**-**	**(581)**	**-**	**(581)**
Total comprehensive income for the period		**-**	**-**	**-**	**3,819**	**525**	**4,344**
Transactions with owners, recorded directly in equity:							
Shares issued during the year	27	27	701	-	-	-	728
Impact of share based payments	27	-	-	-	9	-	9
Deferred tax on share options		-	-	-	(350)	-	(350)
Dividend paid	28	-	-	-	(494)	(417)	(911)
Balance at 28 June 2014		**669**	**31,480**	**578**	**29,849**	**1,127**	**63,703**

Consolidated Cash Flow Statement

for the 52 weeks ended 28 June 2014 and 29 June 2013

	Note	**2014 £000**	Restated 2013 £000
Cash flows from operating activities			
Profit for the financial year		**4,925**	7,809
Adjustments for:			
Taxation		**1,651**	1,523
Net finance costs		**516**	1,248
Depreciation		**2,834**	2,888
Amortisation of intangibles		**165**	164
Share options charge		**9**	134
Contributions by employer to pension scheme		**(71)**	(65)
Pension scheme past service costs		**-**	(850)
Fair value charge/(credit) for foreign exchange contracts		**(81)**	179
Profit on disposal of business		**-**	(1,184)
Operating profit before changes in working capital		**9,948**	11,846
Changes in working capital:			
(Increase)/decrease in inventories		**(197)**	51
(Increase)/decrease in trade and other receivables		**(6)**	1,243
(Decrease)/increase in trade and other payables		**(2,032)**	884
Cash generated from operations		**7,713**	14,024
Interest paid		**(1,084)**	(2,022)
Tax paid		**(1,700)**	(1,776)
Net cash from operating activities		**4,929**	10,226
Cash flows from investing activities			
Purchase of property, plant and equipment		**(6,167)**	(4,204)
Purchase of subsidiary companies	11	**(217)**	(1,055)
Disposal of operation		**-**	17,072
Net cash (used in)/generated from investing activities		**(6,384)**	11,813
Cash flows from financing activities			
(Repayment)/drawdown of invoice discounting		**(300)**	(10,828)
Drawdown of revolving credit		**2,000**	-
Repayment of bank loans		**(338)**	(15,503)
Repayment of loan notes		**-**	(3)
Drawdown of asset finance facilities		**-**	326
Repayment of asset finance liabilities		**(478)**	(1,928)
Issue of ordinary share capital		**728**	3,834
Dividend paid to non-controlling interest	28	**(417)**	(331)
Dividend paid to shareholder		**(494)**	(160)
Net cash generated from/(used in) financing activities		**701**	(24,593)
Net decrease in cash and cash equivalents		**(754)**	(2,554)
Opening cash and cash equivalents		**1,310**	3,793
Effect of exchange rate fluctuations on cash held		**36**	71
Cash and cash equivalents at end of period	19	**592**	1,310

Notes to the Financial Statements

(forming part of the Financial Statements)

Presentation of Financial Statements

Basis of Preparation

These accounts cover the 52 week period ended 28 June 2014 (prior financial year is the 52 week period ended 29 June 2013). The Group Financial Statements consolidate those of the Company and its subsidiaries (together referred to as the "Group").

The Group Financial Statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The Company has elected to prepare its parent company Financial Statements in accordance with UK GAAP; these are presented on pages 59 to 64.

It should be noted that current liabilities exceed current assets. Having reviewed the Group's plans and available financial facilities, the Board has reasonable expectations that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group has stayed within its banking facilities during the year, meeting covenant requirements. The Group has the continued support from its bank with facilities of £32m. In addition, the Group has a strong asset backing and strong trade debtor book. Accordingly, the Board continues to adopt the going concern basis in preparing the Financial Statements for both the Group and the parent company.

The Board reviews the Group's cash flow forecasts and key 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. All covenant tests were passed at the year end.

Critical Accounting Estimates and Judgements

The Group is required to make estimates and assumptions concerning the future. These estimates and judgements 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.

Accounting estimates and judgements have been required for the production of these Financial Statements. The following are those that are deemed to require the most complex judgements about matters that have the most significant effect on the amounts recognised in the Financial Statements.

- Impairment of goodwill can significantly impact the Group's Consolidated Statement of Profit and Loss for the year. The Group estimates the recoverable amounts based on historical experience of margin, volumes and cost structure and expectations of future events. The discount rate takes account of the current market conditions and this has been applied as a pre-tax discount factor to obtain a current value. Refer to Note 12 for further details.

- The Group has one defined benefit pension scheme. The net deficit or surplus 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 judgements. 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 assumptions applied are based on advice provided by the Scheme's actuary, further detail can be found in Note 16.

- The Group recognises provisions where an obligation exists at the period end date and a reliable estimate can be made. Provisions for employee claims and pension augmentation have been recognised in these Financial Statements. Estimates for employee claims are made based on the number of reported accidents and incidents and the number of expected claims yet to be reported based on historical evidence, all accrued up to the maximum self-insured amount of £10,000 per claim. The pension provision relates to a contractual liability for pension augmentation that has been valued by the pension scheme actuaries. See Note 23 for further detail.

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. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. 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 50% owned by the Group has been consolidated into the Group accounts as a subsidiary with a corresponding non-controlling interest on the basis that the Group has the controlling interest. Control arises by virtue of the fact that Lightbody Group, a wholly owned subsidiary of Finsbury Food Group, has a majority of voting rights arising from an agreement between Lightbody Group Limited and Philippe Stretz.

Change in Accounting Policy
The Group adopted IAS 19 (revised) Employee Benefits from January 2013. As a result of IAS 19 (revised), the key change to these Statements is the "finance cost" which was previously the difference between the interest on liabilities and expected return on assets, the expected return on assets is effectively based on the discount rate with no allowances made for any outperformance expected from the Scheme's actual asset holding.

As a result of these amendments, the comparative financial information in the Consolidated Statement of Profit and Loss and Other Comprehensive Income (OCI) have been restated for the year ending 29 June 2013. The effect of the above was to decrease finance income in the Consolidated Statement of Profit and Loss by £575,000 from £1,401,000 to £826,000 and decrease the remeasurements of the net defined benefit pension liability in OCI by £575,000 from £1,118,000 to £543,000.

As a result of the above, the tax expense in the Consolidated Statement of Profit and Loss has decreased by £132,000 for the year ending 29 June 2013 and the deferred tax credit in the OCI has decreased by £132,000. The effect on the cashflow statement of the amended standard was an adjustment to profit before tax and the operating reconciling items. There was no effect on the net cash from operating activities. The effect on the statement of changes in equity of the amended standard was an adjustment to retained earnings, as explained above.

Foreign Currency
Transactions in foreign currencies are translated to the functional currency of Group entities 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 the functional currency 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 Profit and Loss 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 the Group's presentational currency, 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 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 do not meet the criteria for hedge accounting set out by IAS 39 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 Profit and Loss as finance income or cost. Changes in the market value of foreign exchange hedges have been recognised through the Consolidated Statement of Profit and Loss within administrative costs.

1 Significant Accounting Policies *(continued)*

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 debt was cleared 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 Profit and Loss. 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.

Leased Assets
Leases under the terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets acquired by finance lease and hire purchase are depreciated over the lease term or their useful lives.

Obligations under finance leases are included in liabilities net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Consolidated Statement of Profit and Loss as finance expense so as to produce a constant periodic rate of charge on the net obligations outstanding in each period.

Other leases are operating leases and the leased assets are not recognised on the Group's Consolidated Statement of Financial Position.

Operating Lease Payments
Payments made under operating leases are recognised in the Consolidated Statement of Profit and Loss on a straight-line basis over the term of the lease.

Finance Lease Payments
Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

1 Significant Accounting Policies *(continued)*

Intangible Assets and Goodwill
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.

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 Profit and Loss.

Calculation of Recoverable Amount
The recoverable amount is the greater of the assets' fair values 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.

Deferred Consideration
The provision for deferred consideration is initially stated at the net present value of the expected future payment and the discount is accrued by increasing or decreasing the amount of the provision or debtor up to the expected payment or receipt date. The charge or credit relating to the unwinding of the discount is recorded within finance costs or finance income.

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
Our wholly owned subsidiary Memory Lane Cakes Ltd operates a defined benefit pension scheme and the pension costs are charged to the Consolidated Statement of Profit and Loss and Other 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 Profit and Loss. The remeasurements are recognised in full in Other Comprehensive Income. Further details on the defined benefit pension scheme are given in Note 16 to the Financial Statements.

Defined Contribution Plans
The costs of contributing to defined contribution and personal pension schemes are charged to the Consolidated Statement of Profit and Loss as an administration cost 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 represents the amounts derived from the sale of bakery products. Revenue is the invoiced 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 over-riders. Revenue is recognised upon despatch of goods.

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.

1 Significant Accounting Policies *(continued)*

Licence Fees
Payments made for licence fee charges are recognised under cost of sales in the Consolidated Statement of Profit and Loss in the period to which they relate. Any charges relating to future years are deferred and recognised in the Consolidated Statement of Profit and Loss 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 finance leases recognised using the effective interest method, unwinding of the discount on provisions and deferred consideration, interest on defined benefit pension plan obligations and changes in the fair value of interest rate swaps.

Finance income comprise expected return on defined benefit pension plan funds invested, interest receivable on funds invested and changes in the fair value of interest rate swaps. Interest income is recognised in Consolidated Statement of Profit and Loss 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 Profit and Loss 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
Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in Consolidated Statement of Profit and Loss as incurred.

2 Discontinued Operations

In the prior year comparatives on 27 February 2013 the Group sold its Free From business for a total undiscounted value £21,257,000 and a pre-tax gain of £1,184,000 was recorded.

The Free From business consisted of two subsidiaries, Livwell Limited ("Livwell") and United Bakeries (Holdings) Limited ("UBH") (the holding company of United Central Bakeries Limited ("UCB")).

	2013 £000
Results of the discontinued operation	
Revenue	19,749
Expenses	(17,676)
Profit before tax	2,073
Gain recognised on disposal	1,184
Profit before tax	3,257
Tax on profit*	(223)
Profit for the year	3,034
Cash flows from (used in) discontinued operations	
Net cash from operating activities	884
Net cash used in investing activities	(141)
Net cash from financing activities	(1,089)
Net cash from (used in) discontinued operations	(346)
Effect of the disposals on individual assets and liabilities	
Intangibles	(8,431)
Property, plant and equipment	(8,648)
Inventories	(984)
Trade receivables	(4,345)
Other receivables	(538)
Trade payables	4,378
Other payables	(17)
Net identifiable assets and liabilities	(18,585)
Consideration:	
Cash consideration	18,257
Settlement of inter-company debt	(401)
Disposal costs	(583)
Cash and cash equivalents at completion date	(201)
Cashflow on disposal of operation	17,072
Deferred consideration (discounted)	2,697
Net consideration	19,769
Profit on disposal	1,184

* Tax on profit relates to tax on discontinued operations.

3 Revenue and Segment Information

Operating segments are identified on the basis of internal reporting and decision making. The Group's Chief Operating Decision Maker is considered to be the Board as they are primarily responsible for the allocation of resources to segments and the assessment of performance by segment.

The Board uses adjusted operating profit, reviewed on a regular basis, as the key measure of the segments' performance. Operating profit in this instance is defined as profit before the following:

- Net financing expense
- Share option charges
- Non-recurring significant items
- Fair value adjustments relating to acquisitions
- Pension charges or credits in relation to the difference between the expected return on pension assets and interest cost on pension liabilities and
- Revaluation of interest rate swaps and forward foreign currency contracts.

The Board regularly reviews along with operating profit, the segmental revenue from the sale of bakery products, direct and indirect costs, ebitda, and return on capital employed.

The UK cake and bread business is viewed as one segment – UK Bakery, whilst the 50% owned business Lightbody Stretz Limited is viewed as a separate segment – Overseas.

The UK Bakery segment manufactures and sells bakery products to the UK's multiple grocers. This segment primarily comprises the operations of Memory Lane Cakes Ltd, Lightbody Group Ltd, Campbells Cake Company Ltd and Nicholas & Harris Ltd. These subsidiaries were aggregated into a single segment after considering the following criteria:

- The nature of the products – products are similar in nature and are classed as manufactured bakery products, the products sit side by side in the retailers' bakery aisles
- The production process – the production processes have the same or similar characteristics
- The economic characteristics – the average gross margins are expected to be similar
- The customers – five customers account for approximately 70-75% of total revenue, these customers are common throughout the subsidiaries
- The distribution methods – the same methods of distribution apply to all subsidiaries.

The core operation of the Overseas segment is the distribution of the Group's UK manufactured product along with the sale of third party products primarily to Europe.

Costs of Group operations plus a 10% premium have been allocated across the segments on the basis of their operating profit. The premium has been charged to reflect the synergies achieved from obtaining resources centrally giving benefits across the operating segments. Operating profit levels have been chosen as the basis, as this reflects the underlying performance of the segment and is also the return the Group expects from those segments.

A purchasing premium of 2% is charged from Group operations, and is calculated on materials and packaging spends at segmental level. This charge is based on the rationale that Group operations, through its Group buyers, optimises the Group's procurement spend through leveraging its purchasing power.

This has resulted in a profit from continuing operations of £0.5m (2013: £0.8m) being presented within the Group Operations segment.

The Group's finance income and expenses cannot be meaningfully allocated to the individual operating segments.

3 Revenue and Segment Information *(continued)*

	UK Bakery £000	Overseas £000	Group Operations £000	Total Group £000
52 week period ended 28 June 2014				
Continuing				
Revenue				
External	**153,740**	**21,968**	**-**	**175,708**
Underlying operating profit	**6,094**	**1,139**	**475**	**7,708**
Fair value foreign exchange contracts				81
Share options charge				(9)
Defined benefit pension scheme				71
Significant non-recurring items				(759)
Results from operating activities				**7,092**
Finance income				1,720
Finance cost				(2,236)
Profit before taxation				**6,576**
Taxation				(1,651)
Profit after taxation				**4,925**
At 28 June 2014				
Segment assets	**99,891**	**4,522**	**3,613**	**108,026**
Unallocated assets				710
Consolidated total assets				**108,736**
Segment liabilities	**(30,588)**	**(3,312)**	**(1,352)**	**(35,252)**
Unallocated liabilities				(9,781)
Consolidated total liabilities				**(45,033)**
Other segment information				
Capital expenditure	6,121	46	-	6,167
Depreciation included in segment profit	2,813	21	-	2,834
Amortisation	165	-	-	165
Inter-segmental sale/(purchases)	6,039	(6,039)	-	-

Analysis of unallocated assets and liabilities:

	Assets £'000		**Liabilities £'000**
Investments	28	Loans and borrowings	(9,330)
Financial instruments	-	Financial instruments	(451)
Cash and cash equivalents	592	Cash and cash equivalents	-
Taxation balances	90	Taxation balances	-
Unallocated assets	710	Unallocated liabilities	(9,781)

Certain operating costs have been incurred centrally, these costs have been allocated to the reporting segments on an appropriate basis.

With regard to continuing revenue, five customers with sales of £35m, £35m, £26m, £17m and £16m account for 73% of revenue, which is attributable to the UK Bakery and Overseas segments above.

3 Revenue and Segment Information *(continued)*

	UK Bakery £000	Overseas £000	Group Operations £000	Total Group £000
52 week period ended 29 June 2013 restated				
Continuing				
Revenue				
External	**154,364**	**22,231**	**-**	**176,595**
Underlying operating profit	**5,642**	**1,001**	**796**	**7,439**
Fair value foreign exchange contracts				(179)
Share options charge				(134)
Defined benefit pension scheme				915
Significant non-recurring items				(718)
Results from operating activities				**7,323**
Finance income				1,730
Finance cost				(2,978)
Profit before taxation				**6,075**
Profit on sale of business				1,184
Results from discontinued operations				2,073
Taxation				(1,523)
Profit after taxation				**7,809**
At 29 June 2013				
Segment assets	**96,170**	**4,987**	**4,299**	**105,456**
Unallocated assets				1,623
Consolidated total assets				**107,079**
Segment liabilities	**(31,230)**	**(3,864)**	**(2,599)**	**(37,693)**
Unallocated liabilities				(9,503)
Consolidated total liabilities				**(47,196)**
Other segment information				
Capital expenditure	4,201	3	-	4,204
Depreciation included in segment profit	2,872	16	-	2,888
Amortisation	164	-	-	164
Inter-segmental sale/(purchases)	5,999	(5,999)	-	-

Analysis of unallocated assets and liabilities:

	Assets £'000		Liabilities £'000
Investments	28	Loans and borrowings	(8,263)
Financial instruments	-	Financial instruments	(1,240)
Cash and cash equivalents	1,310	Cash and cash equivalents	-
Taxation balances	285	Taxation balances	-
Unallocated assets	1,623	Unallocated liabilities	(9,503)

Certain operating costs have been incurred centrally, these costs have been allocated to the reporting segments on an appropriate basis.

With regard to continuing revenue, five customers with sales of £36m, £34m, £24m, £18m and £16m account for 73% of revenue, which is attributable to the UK Bakery and Overseas segments above.

3 Revenue and Segment Information *(continued)*

An analysis by geographical segment is shown below:

Geographical split of turnover by destination

	2014 £000	2013 £000
Continuing		
United Kingdom	**151,587**	152,105
Europe	**23,832**	24,118
Rest of World	**289**	372
Total continuing	**175,708**	176,595
Discontinued	**-**	19,749

Net asset and margin geographical split would not provide meaningful information owing to the necessity to allocate costs, assets and liabilities. Capital expenditure on segment assets is detailed in Note 3.

Geographical split by country of origin

	United Kingdom £000	Europe £000	Total £000
2014			
Continuing			
Turnover	153,740	21,968	175,708
Operating profit	6,569	1,139	7,708
Total assets	104,214	4,522	108,736
Total liabilities	(41,721)	(3,312)	(45,033)
Net assets	62,493	1,210	63,703

	United Kingdom £000	Europe £000	Total £000
2013			
Continuing			
Turnover	154,364	22,231	176,595
Operating profit	6,438	1,001	7,439
Discontinued			
Turnover	19,749	-	19,749
Operating profit	2,073	-	2,073
Total assets	102,092	4,987	107,079
Total liabilities	(43,332)	(3,864)	(47,196)
Net assets	58,760	1,123	59,883

4 Expenses and Auditors' Remuneration

Included in profit are the following:

	2014 £000	2013 £000
Depreciation of owned tangible assets	**2,498**	2,310
Depreciation on assets under finance leases and hire purchase contracts	**336**	578
Difference on foreign exchange	**(132)**	(30)
Hire of plant and machinery – operating leases	**480**	473
Hire of other assets – operating leases	**803**	718
Share option charges	**9**	134
Movement on fair value of interest rate swaps	**(708)**	(855)
Movement on fair value of foreign exchange contracts	**(81)**	179
Research and development	**1,759**	1,793
Amortisation of intangibles	**165**	164

4 Expenses and Auditors' Remuneration *(continued)*

Amortisation of intangibles for the year was £165,000 (2013: £164,000) relating to the Goswell Enterprises Ltd acquisition during June 2009.

Auditors' remuneration:

	2014 £000	2013 £000
Audit of these Financial Statements	**25**	24
Amounts receivable by auditors and their associates in respect of:		
Audit of the Financial Statements of subsidiaries of the Company	**57**	59
Taxation compliance services	**13**	15
Services related to corporate finance transactions	-	121
Other services in relation to taxation	**11**	14
Other services	**137**	10

The auditor's remuneration is in respect of KPMG LLP. Fee for other services relates to pension advisory services, services relating to information technology and services relating to remuneration.

5 Non-Recurring Significant 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.

Costs of £643,000 relate to redundancy and restructuring (2013: £247,000) and £116,000 relate to due diligence and consultancy expenses associated with an aborted acquisition. A further £471,000 in 2013 related to costs associated with the cancellation of unapproved share options and the issue of ordinary shares in exchange for this cancellation.

A pre-tax gain of £1,184,000 was recorded as non-recurring significant income under discontinued operations, this gain relates to the sale of the Free From business on 27 February 2013.

6 Staff Numbers and Costs

The 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 2014	2013
Production	**2,000**	2,099
Selling and distribution	**146**	159
Administration, technical, new product development	**143**	156
	2,289	2,414

The aggregate payroll costs of these persons were as follows:

	2014 £000	2013 £000
Wages and salaries	**44,756**	48,599
Share option charges	**9**	134
Social security costs	**3,856**	4,212
Charge in respect of defined contribution plans	**688**	648
	49,309	53,593

7 Remuneration of Directors

	2014 £000	2013 £000
Fees	**206**	145
Executive salaries and benefits	**653**	673
Bonuses	**324**	267
Company contributions to defined contribution pension plans	**38**	49
	1,221	1,134

7 Remuneration of Directors *(continued)*

The aggregate of emoluments and amounts receivable under long-term incentive schemes of the highest paid Director was £483,000 (2013: £452,000) including Company pension contributions of £22,000 (2013: £29,000) that were made to a defined contribution scheme on his behalf. In addition to bonuses above is a payment of £198,000 paid during the year to J G Duffy in consideration for the settlement of income taxes arising on the grant of 361,804 shares issued in exchange for cancellation of 1,149,000 unapproved share options.

	Number of Directors **2014**	2013
Retirement benefits were accruing in the year to the following number of Directors under:		
Money purchase schemes	**2**	3

One Director exercised 111,000 share options during the current year at an exercise price of 27 pence per share (2013: nil).

The emoluments paid to Directors were as follows:

	Fees £000	Salary £000	Benefits £000	Other £000	Pension £000	**Year ended 28 June 2014 £000**	Year ended 29 June 2013 £000
E J Beale	45	–	–	–	–	**45**	25
S A Boyd	–	192	12	90	15	**309**	281
D C Currie	–	33	–	39	1	**73**	113
R Duignan	48	–	–	–	–	**48**	-
J G Duffy	–	304	12	145	22	**483**	452
I R Farnsworth	3	–	–	–	–	**3**	30
M Lightbody	–	100	–	50	–	**150**	143
D C Marshall	40	–	–	–	–	**40**	20
P J Monk	70	–	–	–	–	**70**	70
	206	629	24	324	38	**1,221**	1,134

Share options are granted to Directors, whose performances and potential contribution were judged to be important to the operations of the Group, as incentives to maximise their performance and contribution. During the year no options (2013: nil) were granted to Directors. On 16 July 2013 1,149,000 unapproved options previously issued to J G Duffy were cancelled in return for 361,804 shares and the settlement of taxes amounting to £198,000 arising on the grant of the shares which was paid during the year (2013: nil).

Directors' rights to subscribe for shares in or debentures of the Company and its subsidiaries are listed below:

	Number of options at 28 June 2014	Number of options at 29 June 2013	Exercise price	Earliest exercise date	Exercise expiry date
S A Boyd	1,650,000	1,650,000	20.5p	08/07/2014	30/10/2016
S A Boyd	625,000	625,000	20.5p	08/07/2014	30/10/2016
S A Boyd	625,000	625,000	20.5p	08/07/2014	30/10/2016
J G Duffy	1,250,000	1,250,000	20.5p	08/07/2014	30/10/2016
J G Duffy	625,000	625,000	20.5p	08/07/2014	30/10/2016
J G Duffy	625,000	625,000	20.5p	08/07/2014	30/10/2016
J G Duffy	–	420,000	20.0p	30/09/2012	30/10/2016
J G Duffy	–	420,000	20.0p	30/09/2012	30/10/2016
J G Duffy	–	309,000	20.0p	30/09/2012	30/10/2016
J G Duffy	–	111,000	27.0p	30/09/2012	30/10/2019
	5,400,000	6,660,000			

The mid-market price of the ordinary shares on 28 June 2014 was 55p (2013: 62p) and the range during the 52 week period to 28 June 2014 was 47p to 77p (2013: 25p to 64p).

8 Finance Income and Costs

Recognised in the Consolidated Statement of Profit and Loss

	2014 £000	Restated 2013 £000
Finance income		
Expected net return on defined benefit pension plan	**862**	826
Change in fair value of interest rate swaps	**708**	855
Tax related	**-**	1
Unwinding of discount of deferred consideration receivable	**150**	48
Total finance income	**1,720**	1,730
Finance costs		
Interest on defined benefit plan obligations	**(994)**	(966)
Bank interest payable	**(643)**	(1,115)
Interest on interest rate swap agreements	**(595)**	(812)
Interest on deferred consideration	**-**	(53)
Unwinding of discount on deferred consideration payable	**(4)**	(32)
Total finance costs	**(2,236)**	(2,978)

9 Taxation

Recognised in the Consolidated Statement of Profit and Loss

	Continuing 2014 £000	Restated continuing 2013 £000	Discontinued 2014 £000	Discontinued 2013 £000
Current tax				
Current year	**1,254**	1,513	-	239
Adjustments for prior years	**22**	(217)	-	(16)
Total current tax	**1,276**	1,296	-	223
Deferred tax				
Origination and reversal of temporary differences	**309**	(233)	-	-
Retirement benefit deferred tax charge	**73**	209	-	-
Adjustments for prior years	**(7)**	28	-	-
Total deferred tax	**375**	4	-	-
Total tax expense	**1,651**	1,300	-	223

Reconciliation of effective tax rate

The tax assessed for the period is higher (2013: lower) than the standard rate of corporation tax in the UK of 21%, (2013: 23%). The hybrid corporation tax rate is 22.50% (2013: 23.75%). The differences are explained below:

	2014 £000	2013 £000
Profit before taxation from continuing operations	**6,576**	6,075
Tax using the UK corporation tax rate of 22.50%, (2013: 23.75%)	**1,480**	1,443
Non-deductible expenses	**36**	10
Amortisation of intangible asset	**34**	34
Temporary differences*	**(179)**	(338)
Adjustment to restate opening deferred tax and differences in rates	**107**	(25)
Differences on depreciation on IBA's and allowances claimed	**49**	45
R&D uplift current year	**(97)**	(87)
Adjustments to tax charge in respect of prior periods	**15**	(189)
Overseas profits charged at different taxation rate	**206**	132
Group relief from discontinued	**-**	275
Total tax expense	**1,651**	1,300

*Temporary differences in the current year relate to share based payments.

9 Taxation *(continued)*

Reductions in the corporation tax rate from 24% to 23% (effective from 1 April 2013) and to 21% (effective 1 April 2014) were substantially enacted on 3 July 2012 and 2 July 2013 respectively. Further reduction to 20% (effective from 1 April 2015) was substantially enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 28 June 2014 has been calculated based on the 20% rate.

The impact of the reduction in the UK corporation tax rate from 23% to 21% from April 2014 amounts to £82,000 lower charge in the financial year to 28 June 2014. The rate change on deferred tax has had an adverse impact on the current year tax charge amounting to £197,000. The adjustment for prior year in 2013 relates to additional tax relief on qualifying R&D expenditure for prior periods.

The parent company has an unrecognised deferred tax asset of £191,300 (2013: £219,995). This asset has not been recognised in these Financial Statements as suitable profits to utilise the underlying losses are not expected to arise in the future.

10 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 65,635,000 (2013: 59,904,000).

Basic diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potential dilutive ordinary shares; which for 28 June 2014 the diluted weighted average number is 70,169,000 shares, (2013: 65,653,000).

An adjusted earnings per share and an adjusted diluted earnings per share have 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. These adjusted earnings per share exclude:

- Reorganisation and other significant non-recurring costs
- IAS 39 '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 the net income
- IFRS 3 'Business Combinations' discount charge relating to the deferred consideration payable and receivable
- The taxation effect at the appropriate rate on the adjustments.

	Year ending 28 June 2014			Year ending 29 June 2013		
	Earnings £000	**Weighted average number of shares 000's**	**Per share amount Pence**	Earnings £000	Weighted average number of shares 000's	Per share amount Pence
Continued	**4,400**	-	**6.7**	4,311	-	7.2
Discontinued	-	-	-	3,034	-	5.1
Basic earnings	**4,400**	**65,635**	**6.7**	7,345	59,904	12.3
Significant non-recurring and other items	**26**	-	-	(1,629)	-	(2.7)
Adjusted earnings	**4,426**	**65,635**	**6.7**	5,716	59,904	9.6
Profit on discontinued operations	-	-	-	(2,073)	-	(3.5)
Taxation on discontinued operations	-	-	-	223	-	0.4
Discontinued earnings	-	-	-	(1,850)	-	(3.1)
Continuing adjusted earnings	**4,426**	**65,635**	**6.7**	3,866	59,904	6.5
Dilutive effect of options	-	**4,534**	-	-	5,749	-
	-	**70,169**	-	-	65,653	-
Continued	**4,400**	-	**6.3**	4,311	-	6.6
Discontinued	-	-	-	3,034	-	4.6
Basic diluted earnings	**4,400**	-	**6.3**	7,345	-	11.2
Adjusted diluted earnings	**4,426**	-	**6.3**	5,716	-	8.7
Discontinued diluted earnings	-	-	-	(1,850)	-	(2.8)
Continuing adjusted diluted earnings	**4,426**	**70,169**	**6.3**	3,866	65,653	5.9

11 Deferred Consideration Cashflow

The total cash outflow during the current year shown as 'purchase of subsidiary companies' on the face of the Consolidated Cash Flow Statement relates to:

	2014 £000	2013 £000
Deferred consideration paid in respect of Anthony Alan Foods Ltd acquisition	-	555
Deferred consideration paid in respect of Goswell Enterprises Ltd acquisition	**217**	500
	217	1,055

12 Intangibles

Intangible assets comprise licences and goodwill.

a) Licences

The value of the licensing agreements is calculated by reference to the additional cash flow they are expected to generate over unbranded sales. The period over which the value is amortised varies between licences depending on their remaining life.

The licenses recognised were purchased as part of the acquisition of Goswell Enterprises Ltd in June 2009 and relate to the exclusive licensing agreements for Cranks, Doves Farm breads and Vogels. The period over which the value is amortised is the life of the license which is five years to June 2014.
These licences have been renewed at no up front cost.

	Total £000
Cost at 29 June 2013 and 28 June 2014	**822**
Amortisation at 29 June 2013	(657)
Charge for the year 28 June 2014	(165)
Amortisation at 28 June 2014	**(822)**
NBV at 29 June 2013	165
NBV at 28 June 2014	**-**

b) Goodwill

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 utilisation of the Group's existing distribution channels and customer relationships in the bakery sector. 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.

	Total £000
Balance at 29 June 2013 and at 28 June 2014	**52,968**

The carrying amount of goodwill has been allocated to cash generating units or groups of cash generating units as follows:

	2014 £000	2013 £000
Nicholas & Harris	**2,980**	2,980
Lightbody of Hamilton	**48,474**	48,474
Memory Lane Cakes	**1,514**	1,514
	52,968	52,968

12 Intangibles *(continued)*

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 rate 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.

The Group prepares cash flow forecasts based on the most recent financial budgets approved by management and extrapolates these forward for the next five years with a residual value at the end of the five years. Changes in revenue and direct costs are based on past experience and expectations of future changes in the market.

The revenue growth rate used for impairment tests at 28 June 2014 was 3% (2013: nil) for all cash generating units. This inflation rate of 3% (2013: nil) has been applied to the 2015 budget and for the following 5 years on costs of sales, variable costs and indirect costs. The five year cashflow is taken along with a residual value at the end of the five year period.

A pre-tax discount rate of 10% (2013: 10%) has been used in these calculations. 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 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.

Sensitivities have been carried out by the Directors and they are comfortable that at reasonable discount levels there are no indications of impairment.

13 Property, Plant and Equipment

	Land and buildings £000	Plant and equipment £000	Fixtures and fittings £000	Vehicles £000	Assets under construction £000	Total £000
Cost						
Balance at 1 July 2012	14,503	28,795	2,210	8	340	45,856
Exchange adjustments	-	-	8	-	-	8
Additions	74	3,282	177	-	671	4,204
Transfers	-	91	-	-	(91)	-
Disposals	(4,531)	(11,134)	(155)	(8)	-	(15,828)
Balance at 29 June 2013	10,046	21,034	2,240	-	920	34,240
Balance at 30 June 2013	10,046	21,034	2,240	-	920	34,240
Exchange adjustments	-	-	(11)	-	-	(11)
Additions	894	5,050	194	-	29	6,167
Transfers	-	226	-	-	(226)	-
Disposals	-	(185)	(122)	-	-	(307)
Balance at 28 June 2014	**10,940**	**26,125**	**2,301**	**-**	**723**	**40,089**
Depreciation and impairment						
Balance at 1 July 2012	(3,874)	(14,796)	(1,641)	(5)	-	(20,316)
Exchange adjustments	-	-	(2)	-	-	(2)
Depreciation charge for the financial period	(290)	(2,375)	(223)	-	-	(2,888)
Disposals	1,058	5,963	149	5	-	7,175
Balance at 29 June 2013	(3,106)	(11,208)	(1,717)	-	-	(16,031)
Balance at 30 June 2013	(3,106)	(11,208)	(1,717)	-	-	(16,031)
Exchange adjustments	-	-	12	-	-	12
Depreciation charge for the financial period	(233)	(2,390)	(211)	-	-	(2,834)
Disposals	-	185	120	-	-	305
Balance at 28 June 2014	**(3,339)**	**(13,413)**	**(1,796)**	**-**	**-**	**(18,548)**
Net book value						
30 June 2012	10,629	13,999	569	3	340	25,540
At 29 June 2013	6,940	9,826	523	-	920	18,209
At 28 June 2014	**7,601**	**12,712**	**505**	**-**	**723**	**21,541**

13 Property, Plant and Equipment *(continued)*

Leased Plant and Machinery
The net book value of assets held under finance lease or hire purchase contracts included above are as follows:

	2014 £000	2013 £000
Plant and equipment	**1,834**	2,169

Security
HSBC Bank Plc, HSBC Asset Finance (UK) Ltd and HSBC Equipment Finance (UK) Ltd 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. A breakdown of the financial liabilities is shown in Note 20.

Hire purchase obligations are secured on the underlying assets.

The lease obligations are secured on leased equipment (see Note 20).

14 Other Financial Assets and Liabilities

	2014 £000	2013 £000
Non-current		
Investments	**28**	28
Current assets		
Fair value of foreign exchange contracts	**-**	-
Current liabilities		
Fair value of interest rate swaps	**(387)**	(1,095)
Fair value of foreign exchange contracts	**(64)**	(145)
	(451)	(1,240)

Investments
The unlisted investments acquired as part of the Lightbody acquisition on 23 February 2007 and held at 28 June 2014 consist of preference shares in Murray Traders Limited (10.5% of the issued capital of that company). There is no active market in these shares, therefore the fair value cannot be determined and the investments are held at cost.

Interest Rate Swaps at Fair Value
The Group has entered into three interest rate swap arrangements to hedge its risks associated with interest rate fluctuations:

£5.0m for five years from 1 July 2011 (fixed) at 3.6%
£3.0m for four years from 22 May 2013 (fixed) at 1.7%
£6.0m for three years from 2 June 2014 (fixed) at 1.9%

One four year interest rate swap of £10.0m (fixed) at 4.9% matured during the year in June 2014.

The total coverage at the year end of £14.0 million (2013: £18.0 million) is equivalent to 159% (2013: 250%) of total net bank debt at a weighted average rate of 2.5% (2013: 4.0%).

A credit of £708,000 (2013: credit £855,000) is shown in finance income for the periods reflecting changes in the fair values of interest rate swaps. The fair values are liabilities as a result of the current low levels of base and LIBOR interest rates.

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. A credit of £81,000 (2013: charge £179,000) is shown in administration expenses for the periods reflecting changes in their fair value.

15 Deferred Consideration Receivable

On 27 February 2013 the Group sold its Free From business to Genius Foods for a total value of £21,257,000, £3,000,000 of which has been deferred and is payable 27 February 2015. Deferred consideration is shown as a current asset in the Consolidated Statement of Financial Position.

	£000
Balance at 29 June 2013	**2,745**
Unwinding of discount	**150**
Balance at 28 June 2014	**2,895**

16 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 £688,000 (2013: £648,000).

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 2014, the scheme had no active members accruing benefits (2013: nil), 227 deferred pensioner members (2013: 240) and 200 pensioner members (2013: 189).

The scheme was closed to future accrual on 31 May 2010. The assets of the schemes are held separately from those of the company. The amounts in the Financial Statements for the 52 weeks ended 28 June 2014 relating to defined benefit pension are based on a full actuarial valuation dated 31 December 2012, which was updated at the end of the financial year 2013.

A £70,834 contribution was paid during the financial year 2014 from Memory Lane Cakes (2013: £65,000). The Group's contribution has been agreed based on the outcome of the full actuarial valuation dated 31 December 2012. The valuation of the Scheme on an equity/bond basis and projected unit method, showed that there was a deficit of £1,910,000 equivalent to a 10% deficit of liabilities over assets. The valuation was conducted by a qualified independent actuary. This deficit is payable at a rate of £100,000 per annum until September 2020, a full valuation is due by 31 December 2015 which will challenge the appropriateness of this recovery plan taking into consideration the deficit recovery contributions and actual returns realised on the pension scheme assets.

A revised version of IAS 19 Defined Benefit Plans applies to accounting periods on or after 1 January 2013. The year to 28 June 2014 is the first year end for which the revised standard will apply, comparatives have been restated under the new standard.

During the year over 90% of the plan assets previously held in a target return fund targeting three month LIBOR +3% pa were moved to two diversified growth funds which targets 6 month LIBOR +5% and CPI + 5%. This move followed a review of the investment strategy. 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.

The full actuarial valuation differs from the financial year end valuation deficit of £3,630,000 (2013: £2,843,000). 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. The weighted average expected return is 6.3% compared to the expected return in the year end valuation of 4.3%.

	2014 £000	Restated 2013 £000
Fair value of plan assets	**19,741**	18,728
Present value of defined benefit obligations	**(23,371)**	(21,571)
Deficit recognised	**(3,630)**	(2,843)

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

	2014 £000	2013 £000
Equities/target return fund	**17,973**	17,072
Property	**1,755**	1,573
Cash	**13**	83
Fair value of plan assets	**19,741**	18,728
Actual return on plan assets	**1,789**	1,158

16 Pension Schemes *(continued)*

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

	2014 £000	Restated 2013 £000
Movements in present value of defined benefit obligation		
At beginning of financial year	**(21,571)**	(21,424)
Interest on plan obligations	**(994)**	(966)
Benefits paid	**847**	844
Remeasurement (loss)/gain	**(1,653)**	(875)
Past service credit	**-**	850
At end of financial year	**(23,371)**	(21,571)
Movements in fair value of plan assets		
At beginning of financial year	**18,728**	18,349
Expected return on plan assets	**862**	826
Additional return on plan assets over expected return	**927**	332
Benefits paid	**(847)**	(844)
Contributions by employer	**71**	65
At end of financial year	**19,741**	18,728

Past service credit relates to discretionary increases that are no longer being awarded. Remeasurement gains and losses arise due to changes in the key assumptions such as inflation, mortality rates and discount rates as well as experience gains and losses.

	2014 £000	Restated 2013 £000
(Expense)/income recognised in the Consolidated Statement of Profit and Loss		
Expected return on defined benefit pension plan assets/finance income	**862**	826
Interest on defined benefit pension plan obligation/finance expense	**(994)**	(966)
Past service cost	**-**	850
Total (expense)/income	**(132)**	710
Remeasurement gains and losses recognised directly in equity in the statement of recognised income and expense since 1 July 2006, the transition date to Adopted IFRSs:		
Cumulative amount at beginning of financial year	**(5,126)**	(4,583)
Recognised in the financial year – gain on scheme assets in excess of expected return	**927**	332
Recognised in the financial year – loss from changes to financial assumptions	**(1,653)**	(518)
Recognised in the financial year – experience losses	**-**	(339)
Recognised in the financial year – loss from changes to demographic assumptions	**-**	(18)
Cumulative amount at end of financial year	**(5,852)**	(5,126)

	2014	Restated 2013
Principal long-term actuarial assumptions at the year end were as follows:		
CPI price inflation assumption	**2.5%**	2.5%
Increases to pensions in payment	**2.5%**	2.5%
Discount rate for liabilities	**4.3%**	4.7%
Expected rate of return for plan assets	**4.3%**	4.7%

16 Pension Schemes *(continued)*

The differential between the assumed rate of inflation and the discount rate for liabilities is 1.8% (2013: 2.2%).

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 28 June 2014 with discount rates based on the yields on long-dated high quality corporate bonds. The discount rate is lower than the discount rate used last year reflecting the change in bond yields over this period. The expected 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 expected 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.

	2014	2013
Pre-retirement mortality assumption	**S1N[M/F] A year of birth tables with CMI 2012 projections and 1.25% pa long-term rate of improvement**	S1N[M/F] A year of birth tables with CMI 2012 projections and 1.25% pa long-term rate of improvement
Post-retirement mortality assumption	**S1N[M/F] A year of birth tables with CMI 2012 projections and 1.25% pa long-term rate of improvement**	S1N[M/F] A year of birth tables with CMI 2012 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:

	2014	2013
Male currently at age 45	**24.2**	24.1
Female currently at age 45	**26.9**	26.8
Male currently at age 65	**22.5**	22.4
Female currently at age 65	**25.0**	24.9

Changing the year end 2014 assumptions to those of 2013 year end listed above, the deficit would have been £1,977,000 compared to the reported deficit of £3,630,000.

Sensitivity Analysis
The calculation of the defined benefit obligation is sensitive to the assumptions set out above. The following table summarises changes in these assumptions and their approximate (decrease)/increase on liabilities.

	2014
Discount rate plus 0.5%	(£2.1 million)
Discount rate minus 0.5%	£2.4 million
Inflation plus 0.5%	£2.0 million
Inflation minus 0.5%	(£2.0 million)
Life expectancy plus 1.0 years	£0.4 million
Life expectancy minus 1.0 years	(£0.4 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 19 years.

Risk Mitigation Strategies
Whilst the Scheme does not explicitly hold risk mitigation strategies such as swaps, annuities or liability driven investments, the investment strategy is dominated by diversified growth funds which are intended to reduce the investment risk through diversification.

16 Pension Schemes *(continued)*

Effect of the Scheme on the Company's Future Cashflows
The Company is required to agree a Schedule of contributions with the Trustees of the Scheme following a valuation which must be carried out at least once every three years. The next valuation of the Scheme is due as at 31 December 2015. In the event that the valuation reveals a larger deficit than expected the Company may be required to increase contributions above those set out in the existing Schedule of Contributions. Conversely, if the position is better than expected contributions may be reduced. The Company expects to pay contributions of £100,000 in the year to 30 June 2015. The projected net interest charge to the Consolidated Statement of Profit and Loss for the year to 30 June 2015 is £154,000, this projection assumes cashflows 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.

The history of the plans for the current and prior periods is as follows:

Consolidated Statement of Financial Position

	2014 £000	2013 £000	2012 £000	2011 £000	2010 £000
Fair value of plan assets	**19,741**	18,728	18,349	19,102	17,658
Present value of the defined benefit obligation	**(23,371)**	(21,571)	(21,424)	(20,274)	(21,287)
Deficit	**(3,630)**	(2,843)	(3,075)	(1,172)	(3,629)
Experience adjustments on plan assets	**927**	332	(1,772)	644	682
as a percentage of plan assets	**4.7%**	1.8%	9.7%	3.4%	3.9%
Experience adjustments on plan liabilities	**-**	339	-	(561)	-
as a percentage of plan liabilities	**0.0%**	1.6%	0.0%	2.8%	0.0%
Total remeasurement (losses)/gains	**(726)**	(543)	(2,357)	2,224	(3,046)
as a percentage of plan liabilities	**3.1%**	2.5%	11.0%	11.0%	14.3%

Projected costs to the Consolidated Statement of Profit and Loss for the year to 30 June 2015 is estimated to be a net interest cost of £154,000. This is assuming that the cashflows to and from the Scheme are broadly unchanged from the current year's figures and that there will be no events that will give rise to settlement, curtailment or past service cost or credit.

17 Inventories

	2014 £000	2013 £000
Raw materials and consumables	**2,612**	2,662
Finished goods	**1,918**	1,738
	4,530	4,400

Inventories recognised as an expense

Opening inventories	**4,400**	5,380
Purchases	**84,621**	90,183
(Decrease)/Increase in stock provisions	**(352)**	670
Closing inventories	**(4,530)**	(4,400)
Expensed during the period	**84,139**	91,833

18 Trade and Other Receivables

	2014 £000	2013 £000
Trade receivables due from third parties	**22,410**	21,864
Other debtors	**1,125**	1,566
Prepayments and accrued income	**1,297**	1,907
	24,832	25,337

Within prepayments above is an amount for £nil (2013: £10,000) relating to contract renewal fees and prepaid pension costs of £33,000 (2013: £43,000). Specific provisions are made against doubtful debts taking the value of trade receivables to an estimated value based on the most likely outcome.

Cash received under the invoice discounting facility, amounting to £2,959,000 (2013: £3,259,000) is shown within current liabilities and is secured on the trade receivables above. All the risks and rewards of the trade debtors lie with the Group.

19 Cash and Cash Equivalents including Bank Overdrafts

	2014 £000	2013 £000
Cash at bank and on hand	**5,574**	5,771
Bank overdraft	**(4,982)**	(4,461)
	592	1,310

20 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.

2014	Margin	Frequency of repayments	Year of maturity	Facility £000	Drawn £000	Current £000	Non-Current £000
Invoice discounting	**1.50%/base**	**On demand**	**Revolving***	**15,000**	**2,959**	**2,959**	**-**
Revolving credit	**2.00%/LIBOR**	**Monthly**	**2017**	**8,000**	**2,000**	**2,000**	**-**
Mortgage	**1.75%/base**	**Monthly**	**2023**	**4,000**	**3,593**	**399**	**3,194**
Finance lease liabilities	**1.76%/base**	**Monthly**	**Various**	**2,000**	**854**	**382**	**472**
Overdraft	**2.00%/base**	**On demand**	**-**	**3,000**	**-**	**-**	**-**
				32,000	**9,406**	**5,740**	**3,666**
Unamortised transaction costs					**(76)**	**(22)**	**(54)**
					9,330	**5,718**	**3,612**

Secured bank loans and mortgages over one year (included above)	**3,194**
Unamortised transaction costs	**(54)**
	3,140
Repayments are as follows:	
Between one and two years	**347**
Between two and five years	**1,073**
Between five and ten years	**1,720**
Between ten and fifteen years	**-**
	3,140

2013	Margin	Frequency of repayments	Year of maturity	Facility £000	Drawn £000	Current £000	Non-Current £000
Invoice discounting	1.50%/base	On demand	Revolving*	15,000	3,259	3,259	-
Revolving credit	2.00%/LIBOR	Monthly	2017	8,000	-	-	-
Mortgage	1.75%/base	Monthly	2023	4,000	3,932	369	3,563
Finance lease liabilities	1.83%/base	Monthly	Various	2,000	1,332	476	856
Overdraft	2.00%/base	On demand	-	3,000	-	-	-
				32,000	8,523	4,104	4,419
Unamortised transaction costs					(260)	(183)	(77)
					8,263	3,921	4,342

Secured bank loans and mortgages over one year (included above)	3,563
Unamortised transaction costs	(77)
	3,486
Repayments are as follows:	
Between one and two years	347
Between two and five years	1,051
Between five and ten years	1,842
Between ten and fifteen years	246
	3,486

* Revolving maturity above relates to the payment terms on the invoice discounting which is up to 90 days from the date of invoice.
The invoice discounting facility renewal date is December 2017.

20 Other Interest-Bearing Loans and Borrowings *(continued)*

Finance lease liabilities are payable as follows:

	2014			2013		
	Minimum lease payments £000	**Interest £000**	**Principal £000**	Minimum lease payments £000	Interest £000	Principal £000
Less than one year	**403**	**21**	**382**	509	33	476
Between one and five years	**486**	**14**	**472**	891	35	856
	889	**35**	**854**	1,400	68	1,332

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 25.

HSBC Bank Plc, HSBC Asset Finance (UK) Ltd and HSBC Equipment Finance (UK) Ltd 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.

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 as follows:

Net bank debt: EBITDA
Interest cover
Debt service cover

The HSBC facilities (excluding overdraft) available for drawdown are £29.0m (2013: £29.0m). At the period end date the facility utilised was £9.4m (2013: £8.5m), giving £19.6m (2013: £20.5m) headroom.

21 Analysis of Net Debt

	Note	At year ended 29 June 2013 £000	Cash flow £000	**At year ended 28 June 2014 £000**
Cash at bank		1,310	(718)	**592**
Loan notes		-	-	**-**
		1,310	(718)	**592**
Debt due within one year		(369)	(2,030)	**(2,399)**
Debt due after one year		(3,563)	369	**(3,194)**
Invoice discounting due within one year		(3,259)	300	**(2,959)**
Hire purchase obligations due within one year		(476)	94	**(382)**
Hire purchase obligations due after one year		(856)	384	**(472)**
Total net bank debt		(7,213)	(1,601)	**(8,814)**
Debt	20	(8,263)	-	**(9,330)**
Cash at bank		1,310	-	**592**
Unamortised transaction costs		(260)	-	**(76)**
Total net bank debt		(7,213)	-	**(8,814)**
Deferred consideration payable		(216)	-	**-**
Total net debt including deferred consideration payable		(7,429)	-	**(8,814)**
Cash at banks		1,310	-	**592**
Total debt including deferred consideration payable excluding cash		(8,739)	-	**(9,406)**
Deferred consideration receivable		2,745	-	**2,895**
Total debt including deferred consideration payable and receivable excluding cash		(5,994)	-	**(6,511)**

22 Trade and Other Payables

	2014 £000	2013 £000
Current		
Trade creditors	**20,254**	20,510
Other creditors including taxes and social security	**1,245**	1,699
Accruals and deferred income	**9,237**	10,845
	30,736	33,054

23 Provisions

	Onerous lease £000	Employee claims £000	Pension £000	Total £000
Balance at beginning of financial year	251	250	218	719
Made during the financial year	-	-	-	-
Utilised during the financial year	(251)	(13)	(19)	(283)
Balance at end of financial year	**-**	**237**	**199**	**436**
Current provisions	-	237	-	237
Non-current provisions	-	-	199	199

The employee claims provision is based on the number of reported accidents and incidents and the number of expected claims yet to be reported based on historical evidence, all accrued at amounts up to the maximum self-insured amount of £10,000 per claim.

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 15 years.

24 Deferred Tax Assets and Liabilities

Recognised deferred tax assets and liabilities.

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2014 £000	2013 £000	2014 £000	2013 £000
Property, plant and equipment	**-**	-	**(318)**	(323)
Short-term temporary differences	**-**	-	**(104)**	(82)
Employee share scheme charges	**513**	920	**-**	-
Pension scheme charges	**726**	654	**-**	-
Interest rate swaps	**77**	252	**-**	-
Foreign exchange contracts	**13**	33	**-**	-
IFRS fair value adjustments on deferred consideration	**21**	58	**-**	-
Tax assets/(liabilities)	**1,350**	1,917	**(422)**	(405)
Net tax assets/(liabilities)	**928**	1,512	**-**	-

Short-term temporary differences relate to general provisions which will be allowed when utilised.

24 Deferred Tax Assets and Liabilities *(continued)*

Movement in deferred tax during the year

	29 June 2013 £000	Recognised in income £000	Recognised in equity £000	Disposal £000	**28 June 2014 £000**
Property, plant and equipment	(323)	5	-	-	**(318)**
Short-term temporary differences	(82)	(22)	-	-	**(104)**
Employee share scheme	920	(53)	(354)	-	**513**
Pension scheme	654	(73)	145	-	**726**
Interest rate swaps	252	(175)	-	-	**77**
Foreign exchange contracts	33	(20)	-	-	**13**
IFRS fair value adjustments deferred consideration	58	(37)	-	-	**21**
	1,512	(375)	(209)	-	**928**

Movement in deferred tax during the prior year

	30 June 2012 £000	Recognised in income £000	Recognised in equity £000	Disposal £000	29 June 2013 £000
Property, plant and equipment	(996)	(5)	-	678	(323)
Short-term temporary differences	(369)	(33)	-	320	(82)
Employee share scheme	63	351	506	-	920
Pension scheme	738	(341)	257	-	654
Interest rate swaps	468	(216)	-	-	252
Foreign exchange contracts	(9)	42	-	-	33
IFRS fair value adjustments deferred consideration	(8)	66	-	-	58
	(113)	(136)	763	998	1,512

25 Financial Risk Management

The main purpose of the Group's financial instruments which comprise of bank term loans, invoice discounting 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, is to finance the Group's operations. The main risk 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 also referred to in the Strategic Report.

a) Fair Values of Financial Instruments
All financial assets and liabilities are held at amortised cost apart from forward exchange contracts, interest rate swaps and deferred consideration receivable, which are held at fair value, with changes going through the Consolidated Statement of Profit and Loss. 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.

25 Financial Risk Management *(continued)*

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 the 28 June 2014.

			Contractual cashflows including estimated interest			
At year ended 28 June 2014	**Carrying amount £000**	Total £000	1 year or less £000	1 to 2 years £000	2 to 5 years £000	5 years and over £000
Non-derivative financial liabilities						
Secured bank loans	**(5,517)**	(5,990)	(2,487)	(436)	(1,258)	(1,809)
Finance lease liabilities	**(854)**	(892)	(403)	(294)	(195)	-
Invoice discounting	**(2,959)**	(2,959)	(2,959)	-	-	-
Deferred consideration	-	-	-	-	-	-
Trade creditors	**(20,254)**	(20,253)	(20,253)	-	-	-
Derivative financial liabilities						
Interest rate swaps liabilities	**(387)**	(650)	(271)	(271)	(108)	-
	(29,971)	(30,744)	(26,373)	(1,001)	(1,561)	(1,809)

			Contractual cashflows including estimated interest			
At year ended 29 June 2013	Carrying amount £000	Total £000	1 year or less £000	1 to 2 years £000	2 to 5 years £000	5 years and over £000
Non-derivative financial liabilities						
Secured bank loans	(3,672)	(4,443)	(453)	(444)	(1,283)	(2,263)
Finance lease liabilities	(1,332)	(1,401)	(510)	(403)	(488)	-
Invoice discounting	(3,259)	(3,259)	(3,259)	-	-	-
Deferred consideration	(216)	(223)	(223)	-	-	-
Trade creditors	(20,510)	(20,510)	(20,510)	-	-	-
Derivative financial liabilities						
Interest rate swaps liabilities	(1,095)	(1,253)	(599)	(273)	(381)	-
	(30,084)	(31,089)	(25,554)	(1,120)	(2,152)	(2,263)

The carrying amount relating to interest rate swaps is the fair value.

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.

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. These trading exposures 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 73% 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 £22.4 million (2013: £21.9 million) and the ageing of trade receivables at the period end date was:

	2014 £000	2013 £000
Not past due	**21,052**	19,297
Past due 0 – 30 days	**1,167**	2,082
Past due 31 – 120 days	**144**	427
Past due more than 120 days	**47**	58
	22,410	21,864

The above numbers are net of impairment provisions. Group policy is to provide in full against all receivable balances whose full recovery is significantly in doubt. The provision is netted off the gross receivable.

25 Financial Risk Management *(continued)*

The Group's strategy is to focus on supplying UK multiple grocers, the nature of these customers is such that there is 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 £0.2 million past due by more than 30 days is equivalent to less than 1 day sales (2013: £0.5 million, equivalent to 1 day).

Deferred consideration amounting to £3 million is due from Genius Foods Ltd on 27 February 2015, there is deemed not to be an issue over recoverability of this receivable.

d) Market Risk

i) Interest Rate Risk
The Group's interest rate risk exposure is primarily to changes in variable interest rates. The Group has entered into three interest rate swap arrangements in order to hedge its risks associated with any fluctuations. Details of swaps are given in Note 14.

The profile of the Group's loans including deferred consideration and overdraft at the period end date were split as follows:

	2014 £000	2013 £000
Variable rate liabilities	**9,406**	8,739

Swaps amounting to £14,000,000 (2013: £18,000,000) limit the risk associated with the variable rate liabilities, the weighted average interest rate at 28 June 2014 is 2.5% (2013: 4.0%).

Sensitivity
A 1% increase in the base rate 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.

	2014 £000	2013 £000
Profit decrease	**160**	70
Decrease in net assets	**160**	70

A 1% decrease in the base rate or LIBOR would have an equal and opposite impact to those listed above.

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
The Group currently supplies UK manufactured products to Lightbody Stretz Ltd, its 50% owned selling and distribution business trading primarily in Europe. The Group also purchases some raw materials in foreign currency. The consequence of this is that the Group is exposed to movement in foreign currency rates. Forward foreign exchanges contracts are used to manage the foreign exchange exposure.

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. On 21 March 2014, the Board approved an interim dividend for the six months to 28 December 2013 of 0.25p per share paid on 25 April 2014 to shareholders on the register at the close of business on 4 April 2014. A final dividend of 0.75p per share has been proposed. It is the Company's intention, to pay dividends at an affordable rate so that the Company can continue to invest in the business in order to grow profits.

25 Financial Risk Management *(continued)*

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 bank every 6 months. There have been no breaches of covenant tests during the year and the gearing ratio stands at 0.1 (2013: 0.1). The gearing ratio is calculated taking 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.

26 Capital and Reserves

The reconciliation of movement in capital and reserves is shown as a primary statement Consolidated Statement of Changes in Equity. Within retained earnings is the net exchange difference balance at the year end of £63,000 gain (2013: £63,000 gain).

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
- Retained earnings represent retained profits.

27 Share Capital

	2014 000's	2013 000's
In issue at beginning of the financial year	**64,155**	53,502
Shares issued	**2,739**	10,653
In issue at end of the financial year – fully paid	**66,894**	64,155

	2014 £000	2013 £000
Allotted, called up and fully paid		
Ordinary shares of 1p each	**669**	642

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.

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 Profit and Loss 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 have been a number of options granted during the course of the financial year to 28 June 2014 with further details given below.

Date of grant	**Number of options granted**	**Exercise price**	**Fair value £000**	**Amount expensed in year to 28 June 2014 £000**	**Period of expense**
16 May 2014	302,758	58.0p	3	1	3 years
Charge relating to options granted in the current year				1	
Charge relating to options granted in prior years				8	
Charge included in Administration expenses				**9**	

27 Share Capital *(continued)*

There were a number of options granted during the course of the financial year to 29 June 2013 with further details given below.

Date of grant	Number of options granted	Exercise price	Fair value £000	Amount expensed in year to 29 June 2013 £000	Period of expense
7 Jul 2012	121,605	24.7p	7	2	3 years
7 Jul 2012	128,395	24.7p	7	3	3 years
Charge relating to options granted in the current year				5	
Charge relating to options granted in prior years				129	
Charge included in Administration expenses				**134**	

Details of share options outstanding at 28 June 2014 and movements during the year by exercise price is shown below:

Exercise price	First exercise date	Last exercise date	At 29 June 2013	Granted	Forfeited	Cancelled	Exercised	At 28 June 2014
106.0p	Sep 2008	Mar 2014	42,500	-	(42,500)	-	-	-
88.0p	Sep 2008	Mar 2014	17,500	-	(17,500)	-	-	-
58.0p	May 2017	May 2027	-	302,758	-	-	-	**302,758**
52.5p	Sep 2008	Mar 2014	40,000	-	-	-	(40,000)	-
34.0p	Oct 2009	Mar 2014	52,848	-	-	-	(52,848)	-
29.0p	Dec 2005	Mar 2014	500,000	-	-	-	(500,000)	-
27.0p	Sep 2012	Oct 2019	111,000	-	-	-	(111,000)	-
24.7p	Jul 2015	Jul 2019	128,395	-	-	(128,395)	-	-
24.7p	Jul 2015	Jul 2022	121,605	-	-	(121,605)	-	-
20.5p	Jul 2014	Oct 2016	3,435,715	-	-	-	(146,341)	**3,289,374**
20.5p	Jul 2014	Oct 2016	1,517,857	-	-	-	-	**1,517,857**
20.5p	Jul 2014	Oct 2016	1,517,857	-	-	-	-	**1,517,857**
20.0p	Feb 2015	Aug 2015	439,020	-	(38,000)	(35,640)	(24,100)	**341,280**
20.0p	Dec 2012	Jul 2013	23,775	-	(20,690)	-	(3,085)	-
20.0p	Sep 2010	Oct 2019	420,000	-	-	(420,000)	-	-
20.0p	Sep 2011	Oct 2019	420,000	-	-	(420,000)	-	-
20.0p	Sep 2012	Oct 2016	309,000	-	-	(309,000)	-	-
18.0p	Jan 2014	Jul 2014	345,400	-	(12,623)	(15,000)	(288,577)	**29,200**
17.5p	Jul 2013	Jul 2017	465,787	-	(78,575)	(230,062)	(157,150)	-
17.5p	Jul 2013	Jul 2020	1,005,913	-	(171,425)	-	(834,488)	-
14.0p	Mar 2012	Mar 2019	311,300	-	(28,300)	-	(226,400)	**56,600**
			11,225,472	302,758	(409,613)	(1,679,702)	(2,383,989)	**7,054,926**

The Company announced on 16 July 2013 the cancellation of 1,149,000 unapproved share options held by Mr Duffy and the issue of 361,804 ordinary shares and settlement of taxes arising on the grant in exchange for this cancellation.

A summary of share options outstanding and movements for the year to 29 June 2013 is shown below:

	At 30 June 2012	Granted	Forfeited	Cancelled	Exercised	At 29 June 2013
Number of options	11,439,542	250,000	(96,583)	(75,627)	(291,860)	11,225,472

There were 85,800 (2013: 2,408,265) options exercisable at the period end date. There were 2,383,989 options exercised during the year (2013: 291,860). On 16 July 2013 1,149,000 unapproved options previously issued to J G Duffy were cancelled and a cash bonus and 361,804 shares were issued.

The options outstanding at the year end have weighted average exercise price of 22.0p (2013: 20.9p) and a weighted average contractual life of 4.5 years (2013: 4.6 years).

The Company has used the QCA-IRS option valuer TM (based on the Black-Scholes-Merton based option pricing model) to calculate the fair value of the outstanding options. This model was developed by The QCA partnered with Independent Remuneration Solutions (IRS) and City Group Plc. The development was led by Mr Edward Beale, a Director of the Group and Chief Executive of City Group Plc.

27 Share Capital *(continued)*

The inputs into the Black-Scholes-Merton based option pricing model to calculate the charge for share options granted in the financial year were as follows:

	2014	2013
Expected life of option	**3.0 years**	3.0 years
Volatility of share price	**33%**	43%
Dividend yield	**1.3%**	0%
Risk-free interest rate	**1.18%**	0.41%
Share price at date of grant	**58.0p**	22.1p
Exercise price	**58.0p**	25.0p
Bid price discount	**10%**	10%
Estimated conversion rate	**100%**	100%
Fair value per option	**9.3p**	5.6p

Volatility is calculated on a consistent basis for each grant of options and is based on the historic annualised standard deviation of continuously compounded rates of return.

28 Dividends

On 21 March 2014, the Board approved an interim dividend for the six months to 28 December 2013 of 0.25p per share which was paid on 25 April 2014 to shareholders on the register at the close of business on 4 April 2014. The amount paid was £166,052. A final dividend of 0.75p per share has been proposed taking the total dividend to 1.00p per share.

During the year a dividend of £417,000 (2013: £331,000) was paid to the non-controlling interest in Lightbody Stretz Ltd.

29 Operating Leases

The Group has annual commitments under non-cancellable operating leases relating primarily to land and buildings, fork lift trucks and office equipment.

Land and buildings have been considered separately for lease classification. Land and buildings amounts relate to leasehold properties at the Nicholas & Harris site, part of the Lightbody of Hamilton site and the California Cake Company site.

During the year £1,283,000 was recognised as an expense in the Consolidated Statement of Profit and Loss in respect of operating leases (2013: £1,191,000).

Future minimum lease repayments under non-cancellable operating leases at the end of the financial periods are as follows:

	Land and Buildings		**Other**	
	2014 £000	2013 £000	**2014 £000**	2013 £000
On leases which expire in:				
Less than one year	**55**	248	**121**	134
Between one and five years	**474**	1,162	**1,042**	1,145
More than five years	**11,537**	9,648	**15**	-
	12,066	11,058	**1,178**	1,279

30 Capital Commitments

At the financial year ended 28 June 2014, the Group had capital expenditure commitments of £523,000 (2013: £983,000).

31 Related Parties

Related Party Transactions and Directors' Material Interests in Transactions
The Group received services to the value of £124,589 (2013: £80,907) in the year from City Group Plc, a subsidiary of London Finance & Investment Group Plc, which is a substantial shareholder in Finsbury Food Group. At 28 June 2014, £31,001 (2013: £36,075) was due to City Group Plc. Details of fees are as follows:

- Mr D C Marshall and Mr E J Beale are Directors of City Group Plc, and received Directors' fees for the year of £85,000 (2013: £45,000). The services of Mr Marshall are supplied by a company in which none of the Directors has an interest. Directors' fees for Mr Beale are surrendered to his primary employer.

- The amount paid for the provision of company secretarial services and office services and VAT was £39,589 (2013: £35,907).

31 Related Parties *(continued)*

A Group subsidiary paid Mr M W Lightbody, £198,000 (2013: £190,000) in respect of rent of a property at the Lightbody of Hamilton site. No balances were outstanding at either year end relating to rent.

A 50% owned subsidiary, Lightbody Stretz Ltd, paid Mr P Stretz, the Managing Director of Lightbody Stretz Ltd, £57,000 (2013: £26,000) in respect of rent for offices. No balances were outstanding at either year end.

The Group paid £187,000 (2013: £294,000) for the supply of finished products from and received £105,000 (2013: £62,000) for the sale of finished products to Party Fizz, a company 50% owned by Mr M W Lightbody, a Group Director, and 50% owned by Mr P Stretz. The amount payable and receivable at the year end was £22,000 (2013: £75,000) and £10,000 (2013: £10,000) respectively.

A Group subsidiary sold finished goods with a value of £2,151,000 (2013: £2,954,000) to Lightbody Ventures Ltd, a company wholly owned by Mr M W Lightbody. The amount receivable at year end was £710,000 (2013: £460,000).

Transactions with the Memory Lane Pension Scheme are detailed in Note 16.

Transactions with Key Management Personnel
Directors of the Company and their immediate relatives control 16% (2013: 25%) of the voting shares of the Company.

The aggregate compensation of key management personnel (i.e. key Group Directors, Group Commercial Director, Brand Director, Technical Director and Operating Subsidiary Managing Directors) is as follows:

	2014 £000	2013 £000
Fees	**75**	70
Company contributions to money purchase pension schemes	**82**	148
Executive salaries and benefits	**1,240**	1,561
Executive bonuses	**481**	359
	1,878	2,138

Share options held by Group Directors are set out in Note 7.

Details of share options outstanding at 28 June 2014 for other key personnel by exercise price is shown in the table below:

Number of options at 28 June 2014	Number of options at 29 June 2013	Exercise price	Earliest exercise date	Exercise expiry date
-	28,300	14.0p	25/03/2012	25/03/2019
-	663,063	17.5p	29/07/2013	29/07/2020
-	308,637	17.5p	29/07/2013	29/07/2017
-	128,395	24.7p	02/07/2015	02/07/2019
-	121,605	24.7p	02/07/2015	02/07/2022
155,172	-	58.0p	16/05/2014	16/05/2017
155,172	1,250,000			

32 Post Consolidated Statement of Financial Position Events

Since the period end date there have been no significant events.

33 Ultimate Parent Company

Finsbury Food Group Plc is the ultimate parent company.

Company Balance Sheet

at 28 June 2014 and 29 June 2013

	Note	2014 £000	2013 £000
Fixed assets			
Investments	41	**61,587**	61,723
Deferred consideration receivable	42	**-**	3,000
		61,587	64,723
Current assets			
Deferred consideration receivable	42	**3,000**	-
Debtors	43	**3,401**	3,888
Cash and cash equivalents		**3,582**	-
		9,983	3,888
Creditors: amounts falling due within one year	44	**(3,766)**	(4,693)
Net current assets/(liabilities)		**6,217**	(805)
Total assets less current liabilities		**67,804**	63,918
Creditors: amounts falling due after more than one year	45	**(3,140)**	(3,486)
Net assets		**64,664**	60,432
Capital and reserves			
Called up share capital	47	**669**	642
Share premium account	47	**31,480**	30,779
Capital redemption reserve	48	**578**	578
Profit and loss account	48	**31,937**	28,433
Shareholders' funds	48	**64,664**	60,432

These Financial Statements were approved by the Board of Directors on 19 September 2014 and were signed on its behalf by:

Stephen Boyd
Director

Registered Number 204368

Company Reconciliation of Movements in Shareholders' Funds

for the 52 weeks ended 28 June 2014 and 29 June 2013

	2014 £000	2013 £000
Loss for the financial year – continuing	**(827)**	(206)
Dividends received	**4,958**	16,580
Profit from sale of Free From – discontinued	**-**	8,005
Retained Profit/(loss)	**4,131**	24,379
Impact of share based payments current year charge	**3**	134
Impact of share based payments credit to subsidiaries	**(136)**	(21)
New share capital subscribed (net of issue costs)	**728**	3,834
Dividends paid	**(494)**	(160)
Net increase to shareholders' funds	**4,232**	28,166
Opening shareholders' funds	**60,432**	32,266
Closing shareholders' funds	**64,664**	60,432

34 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 52 weeks ended 28 June 2014 (prior financial year 52 weeks ended 29 June 2013). The Financial Statements for the Company have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules and in accordance with applicable United Kingdom Generally Accepted Accounting Principles (UK GAAP) and law.

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 Reconciliation of Movements in Shareholders' Funds.

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that it is included within the consolidated accounts.

The accounting policies of the Company are the same as for the Group except for the following:

Investments
Investments are stated at cost less provision for any permanent diminution in value.

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, except as otherwise required by FRS 19.

35 Remuneration of Directors

Details of Directors' remuneration are set out in Note 7 of the Group's Financial Statements.

36 Staff Numbers and Costs

The average number of persons employed by the Company (including Directors) during the year, analysed by category, was as follows:

	Number of Employees	
	2014	2013
Directors and administrative staff	**35**	36

The aggregate payroll costs of these persons were as follows:

	2014 £000	2013 £000
Wages and salaries	**2,669**	2,595
Social security costs	**343**	338
Other pension costs	**145**	179
	3,157	3,112

37 Employee Share Schemes

No share options were granted during the year to 28 June 2014 under the ShareSave scheme, (2013: nil). Details of Directors share options are set out in Note 7 of the Group's Financial Statements.

38 Share Based Payments

As set out in Note 27 to the Group Financial Statements, 251,034 (2013: 250,000) of the total 302,758 (2013: 250,000) share options granted during the year were issued to employees of the Company resulting in a charge to the Company profit and loss account of £3,000 (£85,000). The remaining options were granted to employees of the subsidiary companies with corresponding charges to the relevant profit and loss accounts. Credits relating to options exercised, cancelled or lapsed after vesting have also been passed to the subsidiaries during the year. The credit totalled £136,000 (2013: debit £27,000) and has resulted in a reduction (2013: increase) in the total cost of investments in the Company balance sheet.

39 Dividends

On 11 December a final dividend was paid to shareholders on the register at the close of business on 22 November 2013.

On 21 March 2014, the Board approved an interim dividend for the six months to 28 December 2013 of 0.25p per share which was paid on 25 April 2014 to shareholders on the register at the close of business on 4 April 2014. The amount paid was £166,052. A final dividend of 0.75p per share has been proposed taking the total dividend to 1.00p per share.

40 Investment in Subsidiaries

Set out below are the significant subsidiary undertakings of the Company whose results are included in the consolidated Financial Statements for the period ended 28 June 2014.

	Direct/Indirect ownership	Country of incorporation	Class of shares held	Ownership 2014	Ownership 2013
Continuing					
Anthony Alan Foods Ltd	Direct	England and Wales	Ordinary £1	**100%**	100%
California Cake Company Ltd	Indirect	Scotland	Ordinary £1	**100%**	100%
Campbells Cake Company Ltd	Indirect	Scotland	Ordinary £1	**100%**	100%
Goswell Enterprises Ltd	Indirect	England and Wales	Ordinary £1	**100%**	100%
Lightbody Group Ltd	Indirect	Scotland	Ordinary £1	**100%**	100%
Memory Lane Cakes Ltd	Direct	England and Wales	Ordinary 1p	**100%**	100%
Nicholas & Harris Ltd	Direct	England and Wales	Ordinary £1	**100%**	100%
Lightbody-Stretz Ltd	Indirect	Scotland	Ordinary £1	**50%**	50%

Lightbody Stretz Ltd which is 50% owned by the Group has been consolidated into the Group accounts as a subsidiary with a corresponding minority interest on the basis that the Group has the controlling interest. Control arises by virtue of the fact that Lightbody Group Ltd which is ultimately a wholly owned subsidiary of Finsbury Food Group has a majority of voting rights arising from an agreement between Lightbody Group Ltd and Philippe Stretz.

41 Fixed Asset Investments

	£000
Cost	
At beginning of financial year	61,723
Additions	(136)
Disposals	-
At end of financial year	61,587
Net book value	
At 28 June 2014	**61,587**
At 29 June 2013	61,723

The additions relate to share option credit of £136,000 (2013: charge £27,000) passed down to individual subsidiaries.

42 Deferred Consideration Receivable

On 27 February 2013 the Group sold its Free From business to Genius Foods for a total value of £21,257,000, £3,000,000 of which has been deferred and is payable 27 February 2015. This is shown as a current asset in the Company Balance Sheet.

43 Debtors

	2014 £000	2013 £000
Amounts owed by Group undertakings	**2,945**	3,128
Other taxation	**15**	266
Deferred taxation	**362**	414
Prepayments and accrued income	**79**	80
	3,401	3,888

44 Creditors: Amounts Falling Due Within One Year

	2014 £000	2013 £000
Bank overdraft	**-**	2,112
Bank loan	**2,377**	186
Trade creditors	**43**	183
Amounts due to Group undertakings	**22**	50
Other taxes and social security	**84**	95
Accruals and deferred income	**1,240**	2,067
	3,766	4,693

45 Creditors: Amounts Falling Due After More Than One Year

	2014 £000	2013 £000
Total bank loans and mortgages	**3,140**	3,486

HSBC Bank Plc, HSBC Asset Finance (UK) Ltd and HSBC Equipment Finance (UK) Ltd 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.

46 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 25.

2014	Currency	Margin	Above	Frequency of repayments	Year of maturity	Total £000	Current £000	Non-current £000
Revolving credit	GBP	2.00%	LIBOR	Quarterly	2017	2,000	2,000	-
Mortgage	GBP	1.75%	Base	Monthly	2023	3,593	399	3,194
Unamortised transaction costs						(76)	(22)	(54)
						5,517	2,377	3,140

Repayments are as follows:	
Between one and two years	347
Between two and five years	1,073
Between five and ten years	1,720
Between 10 and fifteen years	-
	3,140

2013	Currency	Margin	Above	Frequency of repayments	Year of maturity	Total £000	Current £000	Non-current £000
Mortgage	GBP	1.75%	Base	Monthly	2023	3,932	369	3,563
Unamortised transaction costs						(260)	(183)	(77)
						3,672	186	3,486

Repayments are as follows:	
Between one and two years	347
Between two and five years	1,051
Between five and ten years	1,842
Between 10 and fifteen years	246
	3,486

47 Called Up Share Capital

Note 27 in the Group Financial Statements gives details of called up share capital.

48 Capital and Reserves

Reconciliation of movement in capital and reserves

	Share capital £000	Share premium £000	Capital redemption reserve £000	Retained earnings £000	Total equity £000
Balance at 1 July 2012	535	27,052	578	4,101	32,266
Shares issued	107	3,727	-	-	3,834
Impact of share based payments	-	-	-	113	113
Retained loss for the financial year	-	-	-	24,379	24,379
Dividends payable	-	-	-	(160)	(160)
Balance at 29 June 2013	**642**	**30,779**	**578**	**28,433**	**60,432**
Balance at 30 June 2013	642	30,779	578	28,433	60,432
Shares issued	27	701	-	-	728
Impact of share based payments	-	-	-	(133)	(133)
Retained profit for the financial year	-	-	-	4,131	4,131
Dividends payable	-	-	-	(494)	(494)
Balance at 28 June 2014	**669**	**31,480**	**578**	**31,937**	**64,664**

49 Contingent Liabilities

The Company has guaranteed the overdrafts of its subsidiaries; there was a net cash position at the year end of £592,000 (2013: £1,310,000).

50 Related Party Disclosures

Note 31 in the Group's Financial Statements gives details of related party transactions.

51 Financial Risk Management

The Company's policies on the management of liquidity, credit and interest rate risks are managed at a Group level and are set out in Note 25 in the Group's Financial Statements and also referred to in the Strategic Report.

Presentation of Financial Statements

Basis of Preparation of Consolidated Financial Statements
The following accounting standards and interpretations, issued by the International Accounting Standards Board ("IASB") or IFRIC (as endorsed by the EU), are effective for the first time in the current financial year:

- IAS 32 (Amendment) Offsetting Financial Assets and Financial Liabilities – effective 1 January 2014
- IAS 36 (Amendments) Recoverable amount disclosures for non-financial assets – effective 1 January 2014
- IFRIC 21 Levies – effective 1 January 2014.

The application of the standards and interpretations has not had a material effect on the net assets, results and disclosures of the Group.

New Standards and Interpretations Endorsed but not yet Effective
The IASB and the IFRIC have also issued the following standards and interpretations with an effective date after the date of these Financial Statements:

- IAS 19 (Amendment) Defined Benefit Plans – effective 1 July 2014

It is not anticipated that the adoption of any of these standards and interpretations will have a material impact on the Group's Financial Statements.

New Standards and Interpretations not yet Endorsed and not yet Effective
The IASB and the IFRIC have also issued the following standards and interpretations that are yet to be endorsed with an effective date after the date of these Financial Statements:

- IFRS 9 Financial Instruments – effective 1 January 2018

These standards will be adopted by the Group in future accounting periods. The Directors do not anticipate that the adoption of any of these standards and interpretations will have a material impact on the Group's Financial Statements.

Background

The Group operates in the cake and bread markets which is focused on premium, celebration and well-being. 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 8 to 21.

Dividend

On 21 March 2014, the Board approved an interim dividend for the six months to 28 December 2013 of 0.25p per share which was paid on 25 April 2014. The Directors have recommended a final dividend of 0.75p per share.

Directors and their Interests in the Company

The Directors and brief biographies are detailed on pages 6 to 7.

In accordance with the Articles of Association E J Beale retires by rotation and being eligible offer himself for re-election.

The beneficial interests of the Directors in the Ordinary Shares of the Company on 28 June 2014 and 29 June 2013 are set out below:

Ordinary Shares

	28 June 2014 or date of ceasing to be a Director	29 June 2013
E J Beale	**40,000**	40,000
S A Boyd	**555,137**	555,137
D C Currie (d)	**136,238**	136,238
J G Duffy	**1,855,163**	1,382,359
I R Farnsworth (c)	**Nil**	83,866
M W Lightbody (a)	**7,200,000**	13,700,000
D C Marshall (b)	**Nil**	Nil
P J Monk	**291,547**	441,547

(a) On 30 June 2014 M W Lightbody stepped down as Chairman.

(b) On 30 June 2014 D C Marshall stepped down as a Non-Executive Director.

(c) On 15 July 2013 I R Farnsworth stepped down as a Non-Executive Director.

(d) On 31 December 2013 D C Currie stepped down as a Director.

Details of Directors' share options are set out in Note 7 to the Financial Statements.

Details of the emoluments of the Directors are given in Note 7 to the Financial Statements.

There have been no changes in the interests of Directors as set out above since 28 June 2014.

Share Capital

Details of the changes in the share capital of the Company during the year are set out in Note 27 to the accounts.

Substantial Interests

The following substantial interests (3 per cent or more) in the Company's issued share capital have been notified to the Company as at 29 August 2014:

	Number of shares	**% of issued share capital**
Ruffer LLP	10,438,689	15.6%
London Finance & Investment Group P.L.C.	9,000,000	13.5%
M W Lightbody	7,200,000	10.8%
Hargreave Hale	5,471,385	8.2%
Barclays Wealth	3,171,554	4.7%
Miton Group P.L.C	2,121,070	3.2%

Research and Development
Research and development expenditure is written off in the year in which it is incurred.

Directors and Officers' Liability Insurance
The Company maintains a Directors and Officers liability insurance policy.

Financial Instruments
The Group's financial instruments comprise mortgage, asset finance facilities, a confidential invoicing facility, 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, the Group's policy that no trading in financial instruments shall be undertaken.

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 Group finances its operations by retained profits and bank borrowings. A suite of borrowing facilities totalling £32 million is available. This includes an overdraft facility of £3 million, undrawn invoice discounting facility of £12.0 million, undrawn revolving credit of £6 million and unused asset finance of £1.1 million. The interest rate risk is managed through three interest rate swap transactions. The total balance of these swaps was £14.0 million at the period end date. The counterparty to these transactions is HSBC Bank Plc.

Liquidity Risk
Short-term flexibility is available through existing bank facilities and the netting off of surplus funds. Full details of the Group financial assets and liabilities are given in Note 25.

Employee Involvement
The Group aims to improve the performance of the organisation through the development of its employees. Their involvement is encouraged by means of team working, team briefings, consultative committees and working parties.

Disabled Employees
The Group is committed to equality of employment and its policies reflect a disregard of factors such as disability in the selection and development of employees.

Political and Charitable Contributions
During the year charitable donations amounting to £1,000 (2013: £3,000) were made, primarily to local charities.

Going Concern
On the basis of current financial projections and available funds and facilities, the Directors are satisfied 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. Refer to the basis of preparation for further details.

Auditors
In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditors is to be proposed at the forthcoming Annual General Meeting.

- So far as each Directors is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- Each Director has taken all the steps that they ought to have taken as a Directors in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The Directors' Report was approved by the Board of Directors on 19 September 2014 and was signed on its behalf by:

Stephen Boyd
Director

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

The Directors are responsible for preparing the Annual Report and the Group and parent company Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company Financial Statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group Financial Statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company Financial Statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the 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 parent company and of their profit or loss for that period. In preparing each of the Group and parent company Financial Statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- For the Group Financial Statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- For the parent company Financial Statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

By Order of the Board
City Group Plc
Company Secretary

19 September 2014

Report on Corporate Governance

Although not required to do so, the Directors have sought to embrace the principles contained in the UK Corporate Governance Code (2012), applicable to fully listed companies, in formulating and applying the Group's corporate governance policies. These policies are monitored to ensure that they are appropriate to the Company's circumstances and comply as far as possible with the provisions of the Code given the size of the Company.

The Board operates as an effective Board in directing the activities of the Group. The Board meets at least six times during the year and all the Directors make every effort to attend these meetings. The Board maintains a schedule of matters which are reserved to it for decision, including acquisition policy, approval of major capital expenditure and approval of annual budgets.

The Board consists of the Non-Executive Chairman, Peter Baker who was appointed on 1 July 2014, succeeding Martin Lightbody who stood down from the Board on 30 June 2014, two Executive Directors (John Duffy, Chief Executive and Stephen Boyd, Finance Director), and three Non-Executive Directors (Paul Monk, Edward Beale and Raymond Duignan. David Marshall who retired from the Board with effect 30 June 2014 had served as a Non-Executive Director up until that date). Consideration is given to character, judgement and business relationships when considering a Director's independence.

The role of the Chairman and the Chief Executive are separate. The Chairman is responsible for running the Board and he meets regularly and separately with the Chief Executive and the other Non-Executive Directors to discuss matters for the Board.

Edward Beale is the Chief Executive of City Group Plc and David Marshall is a Director of that company. City Group Plc is a subsidiary of London Finance & Investment Group Plc, a substantial shareholder in the Company. City Group Plc provides a full company secretarial service to the Company on an outsourced basis and its fees are set out in Note 31 of the Financial Statements. The Company is not large enough to justify the employment of a full time Company Secretary.

Board Committees
The Board has separate Audit, Nominations and Remuneration Committees.

The Audit Committee is chaired by Raymond Duignan with Edward Beale, a chartered accountant, as the other member.

Further details are given in the Audit Committee Report on page 70.

The Remuneration Committee is chaired by Raymond Duignan with Edward Beale as the other member.

Further details are given in the Remuneration Committee Report on page 71.

The Nominations Committee comprised of David Marshall up until 30 June 2014. Peter Baker now chairs the Nominations Committee and Raymond Duignan is the other member of that Committee. The Committee's main responsibilities include:

- Advising the Board on the appointment of Directors
- Reviewing the composition and size of the Board
- Evaluating the balance of skills, knowledge, experience and diversity of the Board
- Making recommendations on succession planning.

Internal Controls
The Board is responsible for maintaining a sound system of internal controls to safeguard shareholders' investment and the Group's assets, as well as reviewing the effectiveness of those controls. The system of internal controls is designed to manage rather than eliminate the risks of failure to achieve the Group's objectives and can only provide reasonable, rather than absolute, assurance against material loss and mis-statement. Additional resource has been employed to review current policies and procedures and to test the systems.

Dialogue with Shareholders
The Board maintains a general policy of keeping all interested parties informed by regular announcements and update statements.

In implementing this policy the Board keeps in mind the distribution of shareholders between direct, nominee and institutional shareholders. Communications are then distributed between these groups accordingly.

Specific methods of communication are:

- Annual general and meetings
- Broker briefings
- Broker and analysts visits to operating sites
- Letters to shareholders when appropriate
- Corporate website (www.finsburyfoods.co.uk)
- One to one meetings with investors.

Audit Committee Report

Responsibilities

The Audit Committee monitors and reviews areas such as risk management, internal controls and the integrity of financial reporting both internally and externally. The Audit Committee is also responsible for making recommendations to the Board on the appointment of the external auditor and assessing the auditor's independence and objectivity. The Committee is also responsible for monitoring the auditor's effectiveness and agreeing the terms of the auditor's engagement. It receives reports on these issues from the relevant Executive Directors and reports back to the Board on the action points within those reports and any recommendations arising. As part of these responsibilities it considers the requirement for an internal audit function.

The full terms of reference of the Audit Committee are reviewed periodically by the Board and updated as necessary. A copy can be found on the Company's website at www.finsburyfoods.co.uk.

Membership

The Audit Committee is chaired by me, Raymond Duignan, the other member being Edward Beale, a Non-Executive Director. Both committee members are considered by the Board to be independent Directors. Edward Beale, a chartered accountant, was a member of the Accounting Council of the FRC until August 2013 and therefore has recent and relevant financial experience.

Procedures

The Audit Committee met three times during the year. The Finance Director is invited to attend Committee meetings and the external auditors are invited to attend any meetings involving the Financial Statements, the annual audit and other significant matters. Time is set aside during at least one meeting each year for the Committee to hold discussions in private with the external auditors in the absence of management and Executive Directors.

Risks and Controls

Group management prepare an Annual Report for the Audit Committee's consideration that identifies the risks and uncertainties to which the Group is exposed, the procedures in place to mitigate those risks and uncertainties and the potential impact on the Group. The Audit Committee reviews this report and any concerns that it has over the adequacy of the controls in place, or the level of risk accepted by the Group, are reported to the Board. The principal risks and uncertainties to which the Group is exposed are considered by the Board and are set out in the Strategic Report on page 8.

The Committee reviews the need for an internal audit function on an annual basis. At present, due to the size of the Group and lack of complexity in the business model, the Committee does not believe that a dedicated full time internal audit function is warranted. Additional resource has been recruited to assist with the reporting of risks, policies and procedures. A programme of rolling internal control and risk reviews is monitored by the Committee which considers reports on these reviews at each meeting.

External Reporting

The Board delegates primary responsibility for the preparation of complete, balanced and accurate Financial Statements and disclosures, in accordance with Financial Reporting Standards and regulations, to the Finance Director. The responsibility of the Audit Committee is to consider significant accounting policies, any changes in policies and significant estimates and judgements, taking into account the external auditors' view, and to report back to the Board on any concerns that it might have. The Audit Committee reviews and comments on the clarity and completeness of disclosures within the Financial Statements. Ultimate responsibility for reviewing and approving the annual Financial Statements and half yearly reports remains with the Board.

The Audit Committee also reviews and comments on related information presented with the Financial Statements, in particular the Strategic Report, the Directors' Report and the Report on Corporate Governance.

Key Agenda Items

During the year, the Committee specifically discussed issues arising from:

- Interest rate and currency hedging
- Review of risks and appropriate level of internal controls
- Systems, purchasing and IT security review
- Impairment reviews
- Dividend policy
- Group insurance renewal
- Pension disclosures.

Certain services relating to taxation, pension, due diligence and IT systems review advice has been received and/or is proposed to be received by the Group's auditor. All non-audit services are subject to and have been approved in advance by the Audit Committee Chairman. The Audit Committee does not believe it compromises the auditor's independence as the Auditor's ethics and independence policies and procedures are fully consistent with the requirements of the APB Ethical Standards.

If any reader of these accounts has suggestions for improvement in the content or the presentation of the Financial Statements, please can they let me know by writing to info@finsburyfoods.co.uk.

Raymond Duignan
Chairman of the Audit Committee

Remuneration Committee Report

Responsibilities
The Remuneration Committee provides advice and recommendations to the Board on the policy for remuneration of the Executive Directors of the Company and other senior managers, to agree within that policy the salary and benefits packages for Executive Directors and executive management and, to agree business unit cash bonus schemes and equity related remuneration and incentive schemes. The Remuneration Committee is also responsible for agreeing any termination benefits.

The full terms of reference of the Remuneration Committee are reviewed periodically by the Board and updated as necessary. A copy can be found on the Company's website at www.finsburyfoods.co.uk.

Membership
The Remuneration Committee is chaired by me, Raymond Duignan, the other member being Edward Beale, a Non-Executive Director. Both of us are considered to be independent Directors.

Procedures
The Remuneration Committee met three times during the year. The Chief Executive is normally invited to attend Committee meetings.

Executive Directors
The remuneration packages for full time Executive Directors are structured to attract, motivate and retain Directors with the experience, capabilities and ambition required to achieve the Group's strategic aims.

The main elements of their remuneration packages are:

- Basic annual salary
- Annual cash bonus payments
- Share related incentives.

The salaries of Executive Directors are set by the Committee in accordance with the policy agreed by the Board and reviewed annually, taking into account the performance of the Group, the individual and salary increases given to other Group employees.

Annual bonuses are paid to Executive Directors dependent upon Group profitability targets being achieved and individual objectives, as agreed with the Committee, being met. Bonus payments for the year to 28 June 2014 are disclosed in Note 7 to the Accounts.

Pension contributions for full time Executive Directors are set at up to 10% of basic annual salary excluding additional amounts arising from bonuses or salary sacrifice.

No Director has a service contract incorporating a notice period of more than 12 months.

Chairman and other Non-Executive Directors
Non-Executive Directors are not rewarded with share options and so the Group's share related incentive plans are restricted to Executive Directors and senior managers of the Group. Non-Executive Directors receive a fee. The remuneration of the Chairman is determined by the Board and the remuneration of Non-Executive Directors is determined by the Chairman and the Group Chief Executive.

Annual Cash Bonus Schemes
The Remuneration Committee reviews and approves proposed annual cash bonus schemes within the Group. The main characteristics of these schemes are that payments to individuals depend on the profitability of the business unit relative to its budget and the achievement of relevant personal or departmental performance conditions. Maximum payments under these schemes are set at levels that are meaningful, but not excessive, relative to individuals' salaries.

Long-Term Incentive Scheme
A new incentive scheme was agreed for the CEO and CFO of the Group in order to align their remuneration more closely with the performance of the Group and shareholder returns. The scheme provides for a bonus to be paid, 50% in cash and 50% in equity, in the event that the EBITDA achieved by the Group is in excess of the Group's business plan as communicated to shareholders. All cash elements, including costs and tax, must be self funding ie must not impact negatively the Group plan as communicated. Any shares issued may not be sold without prior consultation and it is noteworthy that neither the CEO or CFO have sold shares or options, other than to pay tax thereon, since they joined the Group.

In respect of the 2014 financial year the bonuses payable to the CEO and CFO and the equity issued are set out in the table on Board remuneration in Note 7.

Raymond Duignan
Chairman of the Remuneration Committee

Independent Auditor's Report to the Members of Finsbury Food Group Plc

We have audited the Financial Statements of Finsbury Food Group Plc for the 52 weeks ended 28 June 2014 set out on pages 24 to 65. The financial reporting framework that has been applied in the preparation of the Group Financial Statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company Financial Statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditor
As explained more fully in the Directors' Responsibilities Statement set out on page 68, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements
A description of the scope of an audit of Financial Statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on Financial Statements
In our opinion:

- The Financial Statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 28 June 2014 and of the Group's profit for the financial year then ended;
- The Group Financial Statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- The parent company Financial Statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- The Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other Matter Prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

Matters on which we are Required to Report by Exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Ian Brokenshire
Senior Statutory Auditor
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
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19 September 2014

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