Finsbury
Food Group Plc





An Appetite for Growth
Annual Report & Accounts 2016

Highlights

Contents

Summary

- Group revenue of £319.7m up 24.8%, 52 week revenue £313.5m up 22.4% (2015: £256.2m) and up £12.8m, 5.0% on a like for like basis[*1].
- Gross profit of £102.6m up 30% (2015: £78.9m).
- Adjusted[*] operating profit of £17.1m up 37.7% on the prior year, for the 52 week period, operating profit of £16.7m is up 34.7%, (2015: £12.4m) and up 15.7% on a like for like basis.
- Group adjusted[*] operating profit margin of 5.3% (2015: 4.8%).
- Adjusted[*] profit before tax of £16.0m up 40.8% (2015: £11.4m).
- Record capital investment of £12.1m to ensure long-term competitiveness (171% of depreciation).
- Strong growth in adjusted diluted EPS[*2], up 19% to 9.5p per share (2015: 8.0p per share).
- Final dividend per share of 1.87p taking total dividend for the year to 2.80p up 12% (2015: 2.50p per share).
- Net debt of £19.7m equates to 0.8 times EBITDA of the Group. Net debt well within the long-term banking facility of £51m available to support current and future growth plans.

Strategic Highlights

- Foodservice channel 21.2% (2015: 14.0%) of total UK bakery sales, with 6 out of 8 sites now supplying into this channel including the launch of a new range of cakes. Revenue is up 5.3% on a like for like basis, well ahead of market growth.
- Successful integration of Fletchers Group and Johnstone's Foodservices (JFS) into the Group.
- Implementation of new Group-wide IT business system is underway.

Operational Highlights

- Investment in exciting new innovation for muffins and doughnuts.
- Investment in hot cross bun capacity and innovation led to a record number of hot cross buns produced for Easter.
- Innovation Centre now fully operational and delighting both customers and staff.
- Successful roll out of vision and values across all levels throughout the Group.
- JFS winner of Costa supplier of the year.
- Winner of Celebration Cake Business of the Year for 2016 at the Bakery Industry Awards.

Highlights

These figures are for the 53 weeks ended 2 July 2016 and 52 weeks ended 27 June 2015 unless stated otherwise.

Adjusted Operating Profit

	2016 (53 weeks) £000	2015 (52 weeks) £000
Results from operating activities	**12,791**	9,526
Significant non-recurring items – SNR (refer to Note 5 for detail)	**4,290**	3,181
Share options charge	**-**	(10)
Difference between defined benefit pension scheme charges and cash cost	**(117)**	(100)
Movement in the fair value of foreign exchange contracts	**134**	(181)
Adjustments SNR and other items	**4,307**	2,890
Adjusted results from operating activities	**17,098**	12,416
Impact of 53rd week	**(371)**	-
Adjusted results from operating activities for 52 weeks	**16,727**	12,416

Adjusted Profit Before Tax

	2016 (53 weeks) £000	2015 (52 weeks) £000
Profit before tax	**11,804**	8,482
Significant non-recurring items – SNR (refer to Note 5 for detail)	**4,290**	3,181
Share options charge	**-**	(10)
Difference between defined benefit pension scheme charges and cash cost	**31**	54
Movement in the fair value of interest rate swaps	**(219)**	(28)
Movement in the fair value of foreign exchange contracts	**134**	(181)
Unwinding of the discount on deferred consideration receivable	**-**	(105)
Adjustments SNR and other items	**4,236**	2,911
Adjusted profit before tax	**16,040**	11,393
Impact of 53rd week	**(358)**	-
Adjusted profit before tax for 52 weeks	**15,682**	11,393

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

* Adjusted operating profit and profit before tax exclude significant non-recurring and other items as shown in the table above and includes amortisation of intangibles.

*1 Like for like growth is calculated using financial data for a 52 week period and only where there are comparative trading figures for the prior year for the acquired businesses. The 52 week period is calculated by eliminating the result for the 53rd week in the financial year ended 2 July 2016.

*2 Adjusted diluted EPS has been calculated using earnings excluding the 53rd week, amortisation of intangibles, significant non-recurring and other items as shown on the face of the Statement of Profit and Loss and Other Comprehensive Income. The adjusted diluted EPS has been given as in the opinion of the Board this will allow shareholders to gain a clearer understanding of the trading performance of the Group.

Group Revenue
£319.7m
↑ 24.8%

Gross Profit
£102.6m
↑ 30%

Profit before Tax
£16.0m
↑ 40.8%

Final Dividend
£2.80p
↑ 12%

Net Debt
£19.7m
↓ 7.0%

Capital Investment
£12.1m
↑ 65%

EPS
9.5p
↑ 19%

Chairman's Statement

From stepping stones to strong foundations

"The emphasis and investment put into innovation, helped by new facilities and driven by talented NPD teams, has really delivered for the Group and is an excellent platform for the future."

Peter Baker
Non-Executive Chairman

Moving the business forward to become the leading speciality bakery group in the UK, is driving our agenda.

Our structures and processes are adjusting and altering to suit the needs of a significantly larger and more diversified Group. New roles and responsibilities have been taken on by many and we continue to invest in people in order to train and develop our dedicated teams. The Board is undergoing changes as well, ensuring the composition, skills and governance are appropriate for the future.

From the outside, without the previous year's acquisitions of Fletchers and Johnstone's it may appear that this financial year has been less exciting and busy. However, delivering on our vision, integrating these acquisitions and embarking on some exciting projects, whilst achieving a successful financial performance, has actually meant that has been far from the case.

The Results

The headline annual financial results were assisted somewhat by the prior year's acquisitions with turnover for the 53 weeks at just under £320m, up 24.8% (52 weeks, £313.5m up 22.4%), profit before tax at £16.0m for the 53 weeks, up 41% (£15.7m 52 weeks, up 38%) and debt at 0.8 times EBITDA.

Importantly, the underlying business performance was strong and exceeded expectations in a number of areas, including those not benefiting from the acquisitions. A full financial review is available later on in the Report.

This favourable outcome has been achieved through the hard work of Finsbury's committed team, sound business decision-making and the reliable manufacture and supply of great quality products. The headwinds we encountered were much as anticipated, principally a challenging market place and an uncertain macro-economic outlook, but strong leadership has meant we have overcome these challenges successfully.

One of the hidden highlights this year has been the 5% like for like organic revenue growth that the business has achieved, particularly when set against a deflationary and competitive market, with a demanding customer base and a discerning consumer. The emphasis and investment put into innovation, helped by new facilities and driven by talented NPD teams, has really delivered for the Group and is an excellent platform for the future.

Investing for the Future

The Group, along with other food businesses, will face inflationary pressures through both commodities cost increases, further driven by currency weakness post Brexit and the National Living Wage.

The teams have done an excellent job in anticipating these changes and our plans and investments are aligned to dealing with these. The Board has both the financial capability and the will to invest for the future. We are investing in new plant, equipment and systems as well as taking on the important change of sustainability and environmental responsibility.

The additional work required to deliver such projects successfully is often forgotten but it is a great testament to the teams to have not just maintained performance, but actually to have bolstered it, whilst undertaking an extensive programme of investment and integration.

Board Development

Alongside the work on business and strategy development, the Board is changing to reflect the different requirements of the business. The Board needs to have the appropriate skills and experience and a clear remit and purpose, across all areas that are being worked on and developed.

In terms of corporate governance, we are focusing on our processes and procedures to ensure that they are in line with best practice and relevant for a business of our size and position. Typically the Board meets at one of our sites to combine the normal meeting agenda with a site update, to ensure, amongst others, that the Non-Executive Directors are well briefed. Our committees have also delivered excellently this year, particularly as both have taken on increased workloads driven by the acquisitions and changes that were undertaken.

During the year we announced the addition of two new Non-Executive Directors, Marnie Millard and Zoe Morgan, and the forthcoming retirements from the Board of Paul Monk and Edward Beale, at the 2016 AGM. I look forward to working with Zoe and Marnie and thank Paul and Edward, who each have been on the Board for over 14 years, for their outstanding contribution and commitment to the Group.

Strategy for Continued Growth

The Board has devoted a lot of time this year to reviewing the Group's strategy. As we are a much larger business and in a much stronger position than previously, we can be ambitious in our plans to grow the business still further. Step changes in turnover will only be achieved through further acquisitions. We are clear on the areas and sectors that are attractive and our prudent approach will be maintained to ensure a clear strategic fit. We have the capability both financially and in terms of leadership to be confident in taking these steps but will do so only if the right opportunities present themselves.

The foundations are laid for the next steps and we are looking forward to another successful year.

Finally, on behalf of the Board I would like to thank everyone who works at Finsbury for delivering such a successful year, their contribution and passion continues to drive the business forward.

Dividend

Subject to shareholder approval at the Company's AGM on 23 November 2016, the final dividend of 1.87 pence per share will be paid on 16 December 2016 to all shareholders on the register at 18 November 2016 and will be recognised in the financial year ending 1 July 2017.

Chief Executive's Report

From substantial investment to significant growth

2016 has been a tremendously busy but rewarding year for Finsbury. We delivered on our growth aspirations and made great strides towards our vision of building the leading speciality bakery group in the UK focused on quality products.

Finsbury has a clear vision and strategy, is demonstrating strong sales and profit growth whilst also stepping up capital investment to unlock future growth and efficiency opportunities.

Integrating the Fletchers and Johnstone's prior year acquisitions whilst cementing a stronger platform for future growth were our twin priorities for the last financial year. Meaningful change is delivered in increments, a gradual evolution of the key elements of a business. Integration of acquired businesses takes considerable time and effort. Management teams across all business have responded with energy and expertise to share knowledge, unlock synergies in a timely fashion and share best practice.

Strategically the Group achieved further diversification of channel, customers and products following the prior year acquisitions. Over 21% of our UK bakery sales are now into the faster growing 'out of home eating' foodservice channel, from zero two years ago, with foodservice items supplied from six of our eight bakeries. We also sell a vast array of specialty cake, bread and morning good products to all major UK grocery retailers from premium to discounter.

After several years of unstinting effort across the Group, the fruits of change are emerging. It gives me great pleasure to report a significant rise in top and bottom line growth for the current financial year. As the first full trading year following the acquisitions, it was pleasing to exceed the 2014 equity raise sales and profit expectations for shareholders.

Results in Perspective

Our business is performing strongly. Organic growth of 5% for the year was well spread, exceeding that of the markets we operate in and our initial expectations, especially in the first half.

The UK bakery division like for like growth of 3% was strong but outshone by stellar growth of over 25% in the Overseas division, the Group's 50% owned European business, as a result of improved distribution of licensed celebration cake and free from bakery ranges. UK bakery growth was well diversified across different products, customers and channels given the largely new mix brought by both Johnstone's and Fletchers.

Consumer appetite for the breadth and quality of our offering is clear, illustrated by the continued growth of our premium traditional bespoke products, such as artisan breads and licensed celebration cakes.

Our drive to advance has been constant. We are investing across all aspects of the business to deliver a stronger platform for future growth.

Investment comes in many forms and our scale requires the correct level of infrastructure. The record £12m annual capital expenditure being most tangible which has facilitated a new artisan bread bakery, increased hot cross bun capacity and further cake automation, ensuring we offer the right growth products at the right price for our customers.

Our people are essential to the continued success of the larger Group. As such we have set out to strengthen our culture and the Finsbury way of doing business. Working from the bottom up in small groups at each site we have agreed on a common set of Finsbury Group values, these will cement our approach and behaviours as a business. A more comprehensive long-term people strategy has also been created and is now being rolled out. Elements of this include improving employee engagement, implementing talent management and offering an enhanced leadership development programme.

As a large, diversified bakery Group, investing in business process is essential. We constantly strive to reap scale benefits and become more efficient, whether automating low skilled bakery tasks or removing inefficiencies within non-value added elements of our business processes. One especially noteworthy project is the upgrade and ongoing roll out across the Group businesses of the Fletchers IT software platform following a comprehensive best practice review.

Looking ahead, the enlarged multi channel business is in good shape for the growth opportunities and challenges ahead, with strongly performing businesses and a strong balance sheet.

The devaluation of Sterling post Brexit will, if maintained, lead to a new era of cost inflation for many of our raw materials regardless of any potential change in consumer confidence or shopping behaviour. Planned future National Living Wage increases will similarly increase our costs and put pressure on our margins. We are working hard to offset this cost inflation through enhanced internal efficiency. Inevitably such pressures are inflationary.

We have demonstrated our ability to grow organically as well as by acquisition, which is important for the journey ahead. Investment has already been prioritised as an integral part of our strategy to better prepare us for the uncertain environment ahead, improving our competitiveness and ability to fulfil customer and consumer needs.

I would like to thank all the staff across the Finsbury Group for their dedication and unrelenting efforts over recent years. In particular I would like to recognise the major contribution by new people coming into the Group over the past few years.

I remain confident that the patient, unwavering strategy adopted and well laid foundations over recent years will reap benefits for the business in the years ahead.

"We have demonstrated our ability to grow organically as well as by acquisition, which is important for the journey ahead."

John Duffy
Chief Executive Officer

Trading Performance

Results for the full 53-week period ended 2 July 2016 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 of £319.7m up 24.8%, 52 week revenue £313.5m up 22.4% (2015: £256.2m) and up £12.8m, 5.0% on a like for like basis[*1].
- Adjusted profit before tax of £16.0m up 40.8%, 52 week £15.7m up 37.6%, (2015: £11.4m) and up 17.1% on a like for like basis[*1].
- Increase in operating gross margin to 5.3% (2015: 4.8%) following record capital investment of £12.1m (2015: £7.4m) and operational initiatives.
- Strong growth in diluted adjusted[*2] EPS, up 19% to 9.5p per share (2015: 8.0p per share).
- Final dividend per share of 1.87p taking the total dividend for the year to 2.8p per share up 12% (2015: 2.5p per share).
- Net debt £19.7m (2015: £21.3m) equates to 0.8 times EBITDA of the Group.
- Foodservice 21.2% of total UK bakery sales up from 14.0% and up 5.3% on a like for like basis.
- Successful integration of Fletchers Group and Johnstone's Foodservice Ltd (JFS).
- Implementation of new Group-wide IT business system is underway.
- Significant product innovation; including Kara branded cakes launched into Foodservice channel, investment in muffin, doughnut and hot cross bun capability and capacity.
- Successful roll out of company vision and values across all levels throughout the business.
- JFS winner of Costa supplier of the year.
- Winner of Celebration Cake Business of the Year for 2016 at the Bakery Industry Awards.

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The Directors

From hands-on expertise to fresh thinking

Peter Baker
Non-Executive Chairman

Peter joined the Board on 1 July 2014 and is Chairman of the Nomination Committee. Peter has over 30 years' senior CEO and Board level experience within the global bakery and consumer packaged goods industry. He also chairs another Board and is a Non-Executive Director in one other business. Peter held the position of Managing Director of Maple Leaf Bakery from 2009 to 2013, moving into this position after the sale of La Fornaia Bakeries, where he was the CEO. Prior to these roles, Peter held COO and Divisional Managing Director positions at RHM in the Consumer Brands, British Bakeries and Cereals Divisions (including Rank Hovis Mills). Peter was previously a Non-Executive Director at Jordan's Cereals, now a part of Associated British Foods. He has also served as Vice President of CIAA (a European trade association for food and drink) and was on the Executive Board of FDF the UK Food and Drink Federation.

Edward Beale
Non-Executive Director

Edward was appointed as a Director on 29 August 2002. He is a chartered accountant and 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 Companies Alliance's Corporate Governance Committee. He is Chairman of Marshall Monteagle Plc, the Chief Executive of City Group Plc, and a Non-Executive Director of a number of other quoted companies. He sits on both the Audit and Remuneration Committees. He has announced his intention to step down from the Board at the conclusion of the November 2016 AGM.

Stephen Boyd
Group Finance Director

Steve was appointed Group Finance Director in January 2010. Steve has spent 21 years in the food manufacturing sector and previously was Group Finance Director at Golden Wonder, subsequent to that he was Group Finance Director and Chief Operating Officer at WT Foods Group Plc. Steve worked with John Duffy at both Golden Wonder and WT Foods.

John Duffy
Chief Executive Officer

John was appointed CEO of Finsbury Food Group with effect from 30th September 2009, following a year as interim COO, and has led the turnaround of an indebted Group with a market capitalisation of only £6m in 2009 to the restructured and fast growing £150m+ market cap growth business of today. This transformation required significant operational improvements and new leadership throughout the Group as well as both a business disposal and several acquisitions. The acquisition of Fletchers Bakery Group for £56m in 2014 delivered a step change in scale to £300m+ sales and diversification into the faster growing 'out of home eating' channel.

Following an engineering degree, John's early career was in the oil industry in exploration and production with Shell International. John then completed a full-time MBA at the University of Strathclyde Business School before enjoying 10 years at Director-level in manufacturing and logistics roles at Mars, the global FMCG business. This was followed by private equity experience within the portfolio investments of both L&G Ventures and Bridgepoint including as Operations Director at crisps and snacks manufacturer Golden Wonder and Managing Director of WT Foods' largest chilled foods subsidiary, Noon Products, before and after its sale to Kerry Foods.

John has Non-Executive experience in both start-up and established businesses including Denby the household pottery manufacturer.

Raymond Duignan
Non-Executive Director

Raymond was appointed to the Board in July 2013. He has extensive industry experience having set up a specialist investment bank, Stamford Partners, in the mid-1990s advising the European food and drink industries with clients including many blue chip companies. He is currently a Non-Executive Director of Science in Sport Plc, where he chairs the Audit Committee, and is a member of the Advisory Board of Active Private Equity Partners, the consumer focused investment group. He is Chairman of both the Audit and Remuneration Committees.

Marnie Millard
Non-Executive Director

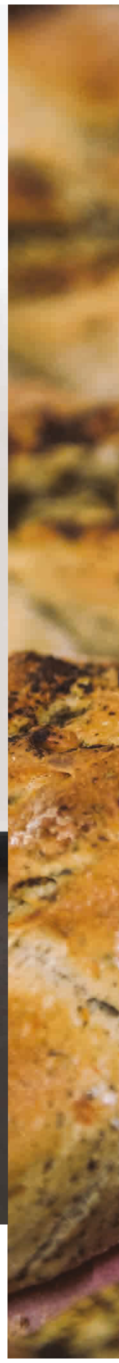
Marnie was appointed to the Board on 1 February 2016. Marnie is currently Group Chief Executive of Nichols Plc, an AIM listed branded soft drinks group, serving both the UK retail and out of home channels, as well as achieving international sales across 70 countries. Marnie joined the Nichols group in October 2012 as MD of Vimto Soft Drinks. She has worked in the soft drinks industry for the last 20 years in a number of senior roles with Macaw Soft Drinks, Refresco Gerber Ltd. She was appointed Nichols Plc Group Chief Executive in May 2013.

Paul Monk
Non-Executive Deputy Chairman

Paul was appointed to the Board on 9 December 2002 and elected as joint Deputy Chairman in February 2007, he is a member of the Nomination Committee. 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. He has announced his intention to step down from the Board at the conclusion of the November 2016 AGM.

Zoe Morgan
Non-Executive Director

Zoe was appointed to the Board on 4 July 2016. Zoe has 15 years Executive Director experience with significant retail, consumer and financial services businesses, including the role of Group Marketing Director of The Co-operative Group, HBoS Retail and Boots UK. Zoe has developed a broad commercial background in multi-site, retail, manufacturing and service businesses, with key strengths in strategy, brand management and customer relationship management. For the last 8 years she has held a portfolio of Non-Executive Directorships and is currently a Board member of Moss Bros and Kind Consumer.

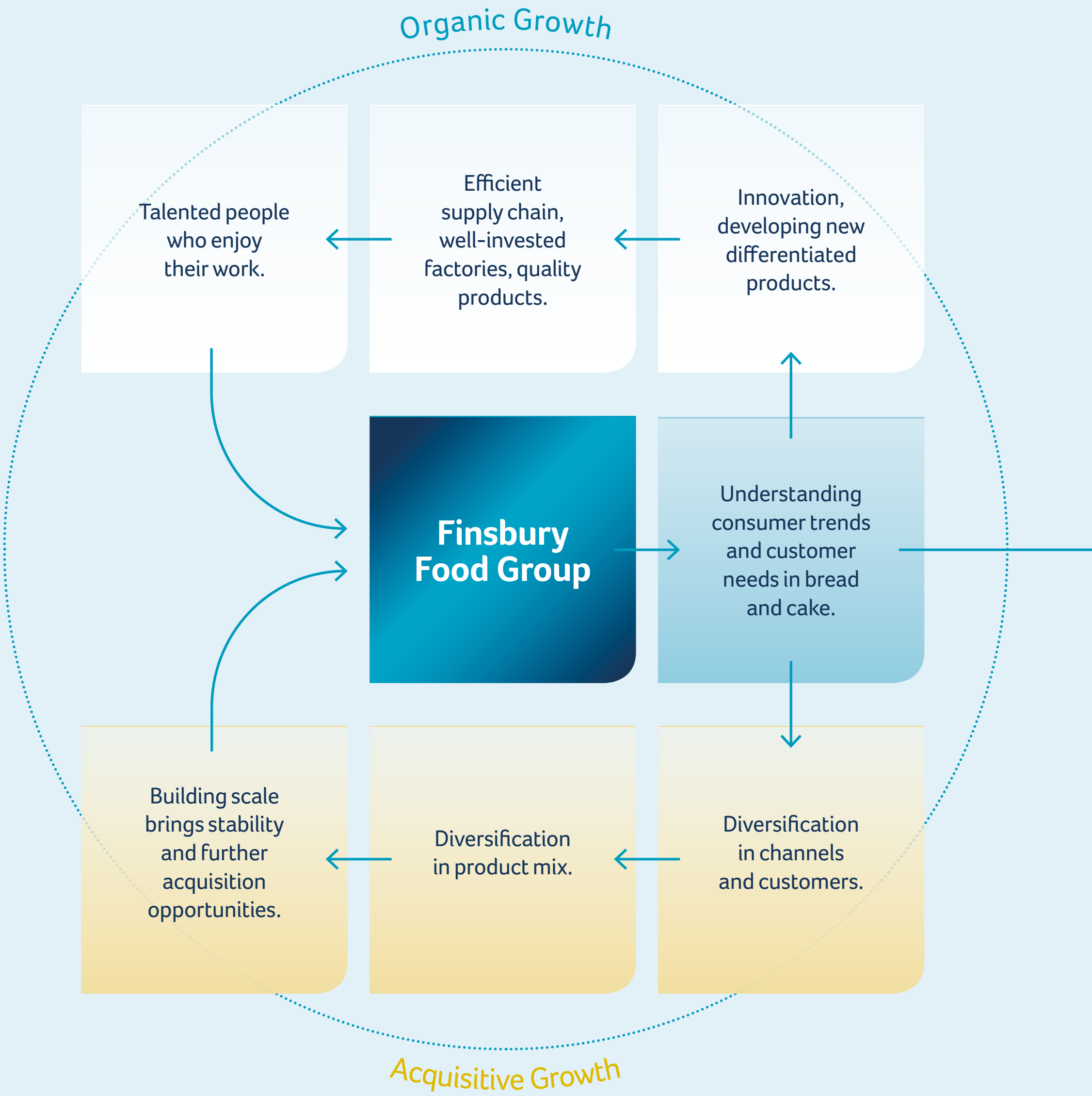


From Left to Right

Back Row
Raymond Duignan
Zoe Morgan
Edward Beale
Marnie Millard
Paul Monk

Front Row
Stephen Boyd
Peter Baker
John Duffy

From innovative products to growing sectors



Creating shareholder value.

Our strategic objective is to create sustainable value for our shareholders, customers and other stakeholders by building a UK wide speciality bakery group.

We will produce a broad range of high quality products, targeted at growing channels and market niches, which deliver growth and differentiation for our major customers whilst fulfilling the needs of end consumers.

Our growth strategy will continue to be delivered by a combination of organic growth and targeted acquisitions. Consolidating our market share in existing areas, such as celebration cakes and organic bread, as well as diversifying our existing product capability into new channels such as foodservice, cake will deliver the organic growth. Further acquisitions will introduce new product, customer or channel diversification or accelerate market consolidation in our core product areas.

Our Markets

The total UK ambient cake market (including pre-packed cake and in-store bakery (ISB)) is valued at £1.09bn (source: Kantar World panel 52 w/e 19 June 2016). The past 12 months has seen market value and unit sales fall by 0.4% and 1.5% respectively. Ambient Cake is marginally outperforming ISB Cake over this period. We continue to perform well in our core markets of celebration cake, whole cake and cake bites.

Annual retail bread and morning goods sales are in excess of £4.0 billion (source: Kantar World panel 52 weeks to 19 June 2016) but the market is in decline, driven by the fall in sales of packaged sliced bread. We are a niche player in the packaged sliced bread market, instead we are focussed on the growing sectors of bread and morning goods such as artisan bread, hot cross buns and rolls through to doughnuts, muffins and morning pastries. The foodservice bread and morning goods market continues to grow and has sales in excess of £800 million and the UK foodservice cake and sweet treats market is worth approximately £600 million per annum (source: NPD group/management 52 weeks to 30 June 2016). Growth is coming from a number of categories with the star being added value burger buns such as brioche burger buns.

Our Business

The Group consists of the UK bakery and the Overseas sectors businesses.

UK Bakery

UK bakery has eight factories each with its own range of products and manufacturing capabilities and employing in excess of 3,000 people across the following bakery companies.

- Lightbody of Hamilton Ltd is based in Hamilton and is the UK's largest supplier of celebration cakes.
- Memory Lane Cakes Ltd is based in Cardiff and is the leading manufacturer of the UK retailers own label sharing cake.
- Fletchers Group of Bakeries has three factories located in Sheffield, Manchester and London. It produces a wide range of fresh and frozen bread and morning good products, which are distributed to leading UK retailers and foodservice customers.
- Johnstone's Foodservice Ltd is based in East Kilbride and produces bite style cake products, including its renowned caramel shortcake. It supplies foodservice customers, particularly national coffee shop chains.
- Nicholas & Harris Ltd is based in Salisbury and produces a range of speciality bread and morning goods which are distributed to UK retailers and, following the Fletchers acquisition, to foodservice customers.
- Campbells Cake Company Ltd is based in Twechar near Glasgow and produces cold set products such as caramel shortbread and tiffin for retailers.

The Group's bakery product range is comprehensive and includes:

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

From £1 million investment to five times the dough




Brands and Licences

The Group is proud to have a well balanced portfolio of retailer own label business and a strong and evolving licensed branded portfolio, all supported by collaborative and strategic partnerships. We also have our own cake brand, Memory Lane, and the Kara foodservice brand.

Kara

Kara is the foodservice brand of the Finsbury Food Group, distributing to more than 300 wholesalers, independents and end-users such as pubs, hotels and restaurant chains. The Kara brand has been operating in the foodservice sector for more than three decades and is synonymous with the famous floured bap. Today the Kara brand has a fantastic variety of frozen bakery products, providing foodservice customers with a one stop shop for their bakery requirements. We continue to extend the range and this year have launched artisan breads, continental pastries and cakes.

Thorntons

The Group continues to have a strong and long standing relationship with Thorntons, part of the Ferrero group. A combination of strong performance of core business and successful NPD has led to Thorntons being one of the fastest growing brands in the cake category over the last 12 months. Thorntons maintains a strong presence across both celebration and snacking cake.

Character Licensed Portfolio

Character licenses remain a key focus for the business and continue to play a vital role in our overall success within celebration cake and snacking cake. We are proud to have strong, and in many cases long standing, relationships with multiple partners such as Disney, Warner Bros. Nickelodeon, Carte Blanche and Entertainment One. These partnerships allow the business to develop products that meet key consumer occasions for all ages. Successful licenses for the Group this year have included Minions, Star Wars and Batman which have been linked to big movie releases and the more evergreen licenses of Me to You, Peppa Pig and Paw Patrol.

Weight Watchers

Weight Watchers remains a large food brand with a presence across multiple UK grocery categories. This year the brand is changing to better reflect the evolving approach consumers are taking to manage their weight, health and lifestyle needs.

Vogel's

The consumers' need for healthy nutritious food is the driver behind the Vogel's brand. Founded on the principles of Alfred Vogel, the pioneering Swiss nutritionist, Vogel's is a range of 'clean label' seeded breads crammed to bursting with seeds and grains. The loaves are baked without added sugar, emulsifiers, enzymes, or artificial preservatives or flavourings. And the best thing about Vogel's – the way we bake it, means that it makes the most fantastic toast!

Village Bakery

The country's leading Rye bread brand, targeted at consumers aiming to avoid wheat, comprising a range of wholemeal and seeded loaves. The bread is made with the simplest of all recipes: Organic Rye flour, water and a little sea salt, with no added yeast, emulsifiers or enzymes.

Cranks

A range of what our customers call 'Proper Bread' made with organic stoneground flour from a specially selected group of English farmers. Cranks bread is fermented for longer – up to six hours – to give it great flavour and texture without using any additives such as emulsifiers and enzymes. Cranks is the UK's leading organic bread brand.

Overseas

The Group has a 50% owned Company, Lightbody Stretz Ltd, that supplies and distributes the Group's UK manufactured and third party products primarily to Continental European markets, particularly in France and Benelux.

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

The environment remains competitive within 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. Providing quality products, investing in innovation (with our innovation centre fully operational) and competing on value helps to strengthen customer relations and support growth initiatives. The Group invests heavily in category management, new product development and marketing skills. This investment has helped create an insight into customers and consumer demands.

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 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.

Labour Costs, Prices and Supply

The Group, along with other food businesses, will face the risk of inflationary pressures through both commodities cost increases, further driven by currency weakness post Brexit and the National Living Wage.

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 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. Ongoing capital investment and improvements in operational efficiency help reduce the impacts of inflation.

Economic Environment

The market place remains challenging and there is an uncertain macro-economic outlook following the vote to leave the EU. Currency hedging and long-term contracts give the Group time to plan and formulate strategies to face future challenges. The Group will continue to focus on quality and value and will explore new channels, new products and new formats to gain competitive advantage. Forging strong customer relationships and aligning strategic business plans through innovation and category management helps create mutual growth opportunities.

Pension Fund Deficit

The valuation of the one defined benefit pension scheme on a technical provision basis can cause large fluctuations in valuations based on factors outside of the Group's control. There is an agreed deficit recovery plan fixed until September 2023 or until a new schedule is agreed based on the next valuation which will be at 31 December 2018. The Company enjoys a close relationship and regular communication with the trustees.

Trading Results

The year to 2 July 2016 is a 53 week year, a week longer than the previous year. Continuing Group revenue for the 53 week period to 2 July 2016 was £319.7 million (2015: £256.2 million). The continuing Group revenue for the 52 week period is £313.5m (2015: £256.2 million).

Operating Profit margins were 5.3% (2015: 4.8%). Capital investment, improvement in operational efficiency and product mix are the main drivers for the improvement in margin. Inflationary increases and employee pay rises have been offset by operational improvements and returns from capital investment.

Administrative expenses have increased driven by the full year impact of acquired businesses, having the correct level of infrastructure in place for the enlarged Group, increased retailer marketing support, new product development, range support, remuneration for outperformance of targets and improvements in the fabric of the workplace.

Group IT Business System

The Group is upgrading its systems with the objective of having a common ERP across UK bakery. The ERP system is the latest version of the existing system within the Fletchers business acquired in 2014. Recognising the inherent risks to a systems upgrade, an appropriate Corporate Governance structure has been put in place, the key aspect of which is the establishment of a Steering Committee comprising senior operational management from both businesses and chaired by an independent implementation specialist. Furthermore, KPMG have been engaged to sit on the Steering Committee and to act as independent auditors of the whole project. The fact that the new ERP system is the latest version of the existing system in operation within the Fletchers business is also a significant risk reduction factor.

Dividend

Subject to shareholder approval at the Company's AGM on 23 November 2016, the final dividend of 1.87 pence per share will be paid on 16 December 2016 to all shareholders on the register at 18 November 2016 and will be recognised in the financial year ending 1 July 2017.

From innovation centre to coffee and cake


TRAYBAKE
TRAYBAKE
Shopkins
MINION
TRAYBAKE
VANILLA

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.

53 Week Period ended 2 July 2016

	Operating performance £000	Non-recurring significant items £000	Defined benefit pension scheme £000	Fair value of interest rate swaps/ foreign exchange contracts £000	As per Consolidated Statement of Comprehensive Income £000
Revenue	**319,680**	-	-	-	319,680
Cost of sales	**(217,092)**	-	-	-	(217,092)
Gross profit	**102,588**	-	-	-	102,588
Other costs excluding depreciation & amortisation	**(77,861)**	(4,290)	117	(134)	(82,168)
EBITDA	**24,727**	(4,290)	117	(134)	20,420
Depreciation & amortisation	**(7,629)**	-	-	-	(7,629)
Results from operating activities	**17,098**	(4,290)	117	(134)	12,791
Finance income	**2**	-	-	219	221
Finance costs	**(1,060)**	-	(148)	-	(1,208)
Profit before tax	**16,040**	(4,290)	(31)	85	11,804
Share of losses of equity accounted investees after tax	**(14)**	-	-	-	(14)
Taxation	**(3,272)**	-	6	(20)	(3,286)
Profit for the year	**12,754**	(4,290)	(25)	65	8,504

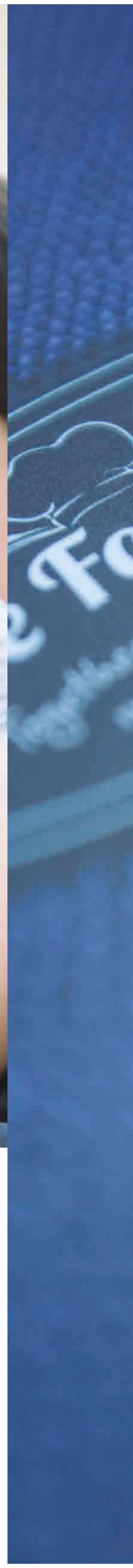
Details of non-recurring significant items are detailed in Note 5. Share option awards are now an ongoing part of the reward structure, the charges now form part of the ongoing cost of the business and are not considered an adjusting item in 2016.

52 Week Period ended 27 June 2015

	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
Revenue	**256,166**	-	-	-	-	-	256,166
Cost of sales	**(177,276)**	-	-	-	-	-	(177,276)
Gross profit	**78,890**	-	-	-	-	-	78,890
Other costs excluding depreciation & amortisation	**(60,638)**	(3,181)	10	100	181	-	(63,528)
EBITDA	**18,252**	(3,181)	10	100	181	-	15,362
Depreciation & amortisation	**(5,836)**	-	-	-	-	-	(5,836)
Results from operating activities	**12,416**	(3,181)	10	100	181	-	9,526
Finance income	**1**	-	-	-	28	105	134
Finance costs	**(1,024)**	-	-	(154)	-	-	(1,178)
Profit before tax	**11,393**	(3,181)	10	(54)	209	105	8,482
Taxation	**(2,452)**	644	(2)	11	(42)	(21)	(1,862)
Profit for the year	**8,941**	(2,537)	8	(43)	167	84	6,620

Details of non-recurring significant items are detailed in Note 5.

From everything we do, to everyone we meet




Teamwork

Earnings Per Share (EPS)

EPS comparatives to the prior year can be distorted by significant non-recurring items and IFRS adjustments, as well as the impact of the 53rd week for the current financial year. The Board is focused on growing adjusted diluted EPS, which is calculated by eliminating the impact of the items highlighted above and amortisation of intangibles and incorporates the dilutive effect of share options. Adjusted diluted EPS is 9.5p for the 52 week period (2015: 8.0p).

	52 week 2016	52 week 2015	52 week 2014
Basic EPS	5.9p	5.8p	6.7p
Adjusted* basic EPS	9.6p	8.3p	6.9p
Diluted** basic EPS	5.8p	5.6p	6.3p
Adjusted* diluted EPS**	**9.5p**	**8.0p**	**6.5p**

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

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

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.

Prior Year Acquisitions

On 30 October 2014 the Group acquired the Fletchers Group of Bakeries ('Fletchers') for £56 million, funded in part by an oversubscribed equity raise of £35 million. The remainder was funded through debt. The acquisition brought opportunities in new foodservice channels, retail customer diversification and complementary product ranges. Fletchers fits well within our UK bakery business and the Group.

On 26 May 2015 the Group acquired 25% of the ordinary share capital of Dr Zak's Limited. Dr Zak's develops and supplies high protein food including bread, pasta and bagels.

On 16 June 2015 the Group acquired the business, production assets, stock and customer list of Johnstone's Just Desserts Ltd ('Johnstone's') out of administration. This acquisition signalled the escalation of Finsbury's entry into the foodservice cake channel and in particular the high growth national coffee shop segment. This is in line with the Group's channel diversification strategy, indicated at the acquisition of Fletchers.

Cash Flow

There was an increase in our working capital requirement of £3.9 million compared to the last financial year. Corporation tax payments made in the financial year totalled £1.6 million (2015: £1.2 million), the payments in the current and prior year took account of the research and development tax relief due to the Group and tax losses being utilised. Capital expenditure in the year amounted to £12.1 million (2015: £7.4 million).

Debt and Bank Facilities

The Group's total net debt including deferred consideration payable is £19.7 million (2015: £21.3 million) down £1.6 million from the prior year. Within this total, £10.9 million is due within one year, including cash at bank and invoice finance (2015: £9.3 million).

The Group's debt facility is a bilateral facility with HSBC Bank Plc and Lloyds Bank Plc totalling £50.9m, the key features of the facility are as follows:

- Overdraft (£2.0m)
- Term loan (£13.4m)
- Confidential invoice discounting facility (£22.0m)
- Mortgage facility (£3.5m)
- Rolling asset finance facility (£2.0m)
- Revolving credit facility (£8.0m)

Note 20 gives details of the amounts drawn on these facilities 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, Fletchers' site at Sheffield 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 the UK's major multiple retailers. This debtor book stood at £44.9 million (2015: £42.8 million) at the period end date.

The Group recognises the inherent risk from interest rate rises. To mitigate these risks, the Group has two interest rate swaps in place with a total coverage of £9.0 million (2015: £14.0 million) equivalent to 46% (2015: 66%) of year end net bank debt at a weighted average rate of 1.8% (2015: 2.5%).

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 0.584%, was 3.00% (2015: 4.04%). A £5.0 million swap fixed at 3.6% expired on 1 July 2016, on 7 September 2016 the Group entered into a forward dated swap for £20.0 million for five years from 3 July 2017 (fixed) at 0.455%.

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 earnings before interest, tax, depreciation and amortisation – EBITDA) for the 53 weeks to 2 July 2016 was 23.4 (2015: 17.8). Net bank debt to EBITDA (based on adjusted EBITDA) for the year to 2 July 2016 was 0.8 (2015: 1.0).

Taxation

The Group taxation charge for the year was £3.3million (2015: £1.9 million). This represents an effective rate of 20.4% on profits before non-recurring significant items (2015: 22.0%).

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

Environmental Matters

The Group has re-launched its Sustainability Strategy across the business with a broad focus on Supply Chain, People and the Environment. Each site has an Environmental Champion and KPIs have been standardised across the Group. The Group is working together with specialist advisors to further develop environmentally sustainable business practices. Energy reduction and environmental sustainability projects have continued around the business. From a new effluent plant at Grain D'Or; new energy efficient refrigeration plant and high insulating ovens at Nicholas and Harris; to a solar panelled skip! LED lighting replacement continues across the Group and compressed air leak surveys are underway. Environmental considerations are at the heart of our decision making. Working partnerships with local universities have created a key project that will deliver quality improvement and waste reduction and for which funding is currently being sought.

Employee Social and Community Issues

All manufacturing sites are active within their local communities and have developed strong links with local schools, universities and charities. As an example Fletcher's in Sheffield have been working with Ecclesfield Primary School on an environmental awareness project and have funded an outdoor classroom in which to conduct work related to sustainability and the environment.

Technical Matters

All sites have achieved A, or the highest AA, rating under the new, much tougher British Retail Consortium version 7 standard with several of these audits now being unannounced. This is a strong performance across the business and a reflection of the work done. Due to the additional requirement to understand the vulnerabilities in supply chains the Group is implementing a supply chain mapping system which will eventually be rolled out to capture all suppliers.

Health continues to be a major focus for the business with tougher 2017 salt targets and the Government's Childhood Obesity Strategy. As a result, we have formulated a health strategy which focuses on a broad range of health metrics. Dedicated resource has been released to work on formulation development in key areas of the business and the capture of health metrics is being supported by an IT project. As part of the Food and Drink Federation, Finsbury has a voice in recommending appropriate categories for sugar targets to Public Health England and we continue to play an active role in this area.

The Johnstone's acquisition has integrated rapidly into the technical requirements of the Group and the site now has a new Technical Manager.

The Strategic Report was approved by the Board of Directors on 16 September 2016 and was signed on its behalf by:

Stephen Boyd
Director

Financial Statements

Contents

Report on Corporate Governance

The Board is committed to high standards of corporate governance and although the Company is not required to comply with the UK Corporate Governance Code ("the Code"), the Company's corporate governance framework is based on the Code's main principles to the extent appropriate for the Company. The Board reviews its corporate governance arrangements on a regular basis.

The Board directs the activities of the Group and develops its strategy and oversees implementation of strategy. The Board meets at least five times during the year and reviews performance at each meeting. There is a schedule of matters which are reserved to the Board for decision. These matters include:

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

The Board comprises the Non-Executive Chairman, Peter Baker, two Executive Directors (John Duffy, Chief Executive and Stephen Boyd, Finance Director), and five Non-Executive Directors, Paul Monk, Edward Beale, Raymond Duignan, Marnie Millard and Zoe Morgan. Paul Monk and Edward Beale have announced their intention to step down from the Board at the conclusion of the AGM in November 2016 and will serve as Non-Executive Directors up until that date.

There is a clear division of responsibilities between the Chairman and the Chief Executive. The Chairman is responsible for leadership of the Board, setting its agenda and monitoring its effectiveness. He meets regularly and separately with the Chief Executive and the other Non-Executive Directors. The Board has a culture of constructive challenge and continuous improvement.

Board Committees

The Board has delegated certain responsibilities to the Audit, Nomination and Remuneration Committees.

The Audit Committee is chaired by Raymond Duignan with Edward Beale as the other member. Edward Beale will be standing down at the conclusion of the AGM, Zoe Morgan will be joining the Committee following the AGM. Further details of its activities are given in the Audit Committee Report on pages 26 to 27.

The Remuneration Committee is chaired by Raymond Duignan with Edward Beale as the other member. Edward Beale will be standing down at the conclusion of the AGM, Marnie Millard will be joining the Committee following the AGM. Further details of the Remuneration Committee's activities are given in the Directors' Remuneration Report on pages 28 to 34.

Peter Baker chairs the Nomination Committee with Paul Monk as the other member. Paul Monk will be standing down at the conclusion of the AGM and the Committee's membership following his departure is currently being considered. 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 and Risk Management

The Board has overall responsibility for the 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, and not absolute, assurance against material loss and misstatement. The Group continues to progress with initiatives to improve managing its risks to create value.

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 meetings
- Broker briefings
- Broker and analysts visits to operating sites
- Letters to shareholders when appropriate
- Corporate website (www.finsburyfoods.co.uk)

Audit Committee Report

Role and Responsibilities of the Audit Committee

The principal responsibilities of the Committee are to:

- Review and monitor the integrity of the Financial Statements of the Group and assist the Board in fulfilling its responsibilities relating to external financial reporting and similar announcements.
- Review significant issues and the judgements of management and the methodology and assumptions used in relation to the Financial Statements.
- Review and monitor the Group's financial control systems and risk management procedures.
- Recommend the appointment and/or reappointment of the external auditor and approve their terms of engagement.
- Review and monitor the independence of the external auditor and the effectiveness of the audit process.
- Implement and review policy on external auditor non-audit services.
- Review and monitor the Group's compliance with all regulatory legislation and current practice.
- Report to the Board on how it has discharged its responsibilities.

The full terms of reference, which can be found on the Company's website at www.finsburyfoods.co.uk, are reviewed periodically by the Board.

Membership

The Committee is chaired by me, and, the other member is Edward Beale, a Non-Executive Director. Edward Beale, a chartered accountant, is a former member of the UK's Accounting Standards Board who has recent and relevant financial experience. Zoe Morgan will be joining the Audit Committee following the AGM.

The Audit Committee met three times during the year. The Finance Director is invited to attend Committee meetings together with other senior members of the finance team including those members of staff that conduct internal audits. The external auditor attends those 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 auditor in the absence of management and Executive Directors.

External Auditor

The Committee carried out an assessment of the effectiveness of the external audit process which focused on criteria that the Committee considered to be important factors in an effective audit process. These factors included the quality of audit staff, the planning and execution of the audit and the role of management in the audit process. Following this assessment, the Committee concluded that the external audit process remained effective and that it provides an appropriate independent challenge.

The engagement of the auditor to carry out non-audit services is approved in advance by me or, in the case of a significant instruction, by the Committee. This enables the Committee to satisfy itself of the Auditor's independence and objectivity.

Internal Controls and Risk Management

The Committee is responsible for reviewing the effectiveness of the Group's system of internal controls. The system of internal control is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Group management prepare an Annual Report for the 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 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 pages 8 to 21. Following this review, the Committee is satisfied that the Group has in place effective internal control systems and risk management. The Committee continues to keep under review the need for a separate dedicated internal audit function in the Group. The Committee remains satisfied that the Group's system of internal control is appropriate for a Group of the size and nature and the Committee's current view is that a separate formal independent internal audit function is not required at this time. The Committee will monitor the situation closely as the Group continues to expand.

A programme of rolling internal control and risk reviews is monitored by the Committee which considers reports on these reviews at each meeting and monitors any follow up action that is required.

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 Committee includes consideration of significant accounting policies, any changes in policies and significant estimates and judgements, taking into account the external auditor's view, and to report back to the Board on any concerns that it might have. The Audit Committee reviews 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 Committee also reviews related information presented with the Financial Statements, in particular the Strategic Report, the Directors' Report and the Report on Corporate Governance.

Key Agenda Items

In addition to matters referred to elsewhere in this Report, during the year, the Committee also considered:

- Revenue recognition
- Internal authorisation levels and procedures
- Interest rate and currency hedging
- Systems related issues arising from the Fletchers' acquisition
- Impairment reviews
- Group insurance programme
- Pension disclosures
- New business system introduction and compliance

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

Directors' Remuneration Report (Unaudited)

Statement from the Chairman of the Remuneration Committee

Dear Shareholder

I am pleased to present the Directors' Remuneration Report for the year ended 2 July 2016.

The Remuneration Committee believes that the Directors' Remuneration Policy remains appropriate and will continue to apply it in 2016-17. Accordingly, we have not included the Directors' Remuneration Policy in this Report, however, a copy is available in our 2016-17 Directors' Remuneration Report at www.finsburyfoods.co.uk/investor-relations/annual-reports.

The Annual Report on Remuneration provides details of the amounts earned in respect of the year ended 2 July 2016 and how the Directors' Remuneration Policy will be operated for the year commencing 3 July 2016.

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

Review of the 2015-16 Financial Year

As described earlier in the Annual Report the Company has delivered exceptional performance, with continued organic growth in 2015-16 which has been supplemented by the acquisition of Fletchers and Johnstone's in 2014-15. Alongside this growth, our capital investment strategy, together with our continued efficiency programme has resulted in improved operating margins.

The 2015-16 annual bonus was subject to an EBITDA performance metric. The Company achieved £24.7million EBITDA for 2015-16 which was in excess of our stretch targets for the year and considerably greater than budget. Consequently, this resulted in the maximum annual bonus being earned, equating to 100% of salary. In line with the Committee's commitment to align Executives' interests with those of shareholders, 50% of total bonuses earned in the year will be paid as cash and 50% in the form of shares, in order to develop further the shareholdings of the Executive Directors. Further details are set out on page 30. The current personal shareholdings of J G Duffy and S A Boyd equate to circa 7.5 and 4.5 times salary respectively.

No long-term incentive awards vested with respect to a performance period ending in the year ended 2 July 2016.

Options granted in July 2011 and linked to the delivery of the turnaround of the business and the creation of shareholder value were due to expire in October 2016. To minimise the impact of share dilution arising from legacy share options, the Executive Directors agreed to cancel unexercised share options that had vested in 2013. In return they received a settlement which was equal to what would have been received if they had exercised their options in full on 26 April 2016 and sold such number of shares necessary to meet the exercise price of the share options and the income tax and National Insurance costs payable as a result of the exercise. Further details are set out on page 30. These market value options were granted at a time when the Company's share price was 20.5 pence and cashflow was extremely tight. The strategy created by the Board and executed by our Executive Directors has resulted in a share price which averaged 107.4 pence per share across the 2015-16 financial year.

The Committee remains committed to a responsible approach to executive pay and believes that salary increases above wider workforce increases will only be awarded in limited circumstances. S A Boyd has made significant contributions to the business over the last five years as the scope of his role has grown substantially with the growth in the business and the Committee considered that this needed to be recognised by setting his base salary at the appropriate level. In October 2015 the Committee therefore determined to award S A Boyd a 17.5% salary increase in order to set his salary at a level which was comparable with the market and, more importantly, reflected his role and responsibilities within the business.

J G Duffy was awarded a 2.5% salary increase which was in line with increases for the wider workforce.

As disclosed in last year's Directors' Remuneration Report, a new long-term incentive plan was introduced in 2015 designed to motivate the senior executives over the longer term to deliver the Group's strategy and to reward appropriately, reflecting their contribution to shareholder value creation. Awards were made on 4 December 2015. Further details are provided on page 31.

Outlook for the 2016-17 Financial Year

Details in relation to the application of the Directors' Remuneration Policy in 2016-17 are set out on page 29, however, the key elements will be as follows:

- Salary increases for 2016-17 were reviewed in September and increases of 1.8% have been made in line with inflationary increases to the wider workforce.
- Annual bonus opportunity for 2016-17 will remain at 100% of salary. The annual bonus will continue to be based on EBITDA performance as the Committee considers this to be the key short-term financial measure.
- Awards under the LTIP will be made following the announcement of our results and the Committee will discuss the performance conditions which will apply, although anticipate that this will continue to be absolute EPS targets and relative TSR against the FTSE Small Cap. The targets will be disclosed in the Remuneration Report next year.
- The Non-Executive Directors' basic fee was increased from £40,000 to £50,000 with effect from 1 July 2016 in order to reflect the time demands of the role in response to what has been, and will continue to be, an active growth strategy.

Raymond Duignan
Chairman of the Remuneration Committee

16 September 2016

Directors' Remuneration Policy Report (unaudited)

The full Policy can be viewed in the Directors' Remuneration Report of our Annual Report 2015 at www.finsburyfoods.co.uk/investor-relations/annual-reports.

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

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

Unaudited Annual Report on Remuneration

Single Total Figure of Remuneration

The tables below detail the total remuneration **earned** by each Director in respect of the financial years ended 2 July 2016 and 27 June 2015:

2016	Salaries/fees £000	Taxable benefits £000	Annual bonus £000	Other £000	Total remuneration £000
Executive Directors					
J G Duffy	342	12	342	–	696
S A Boyd	241	12	241	–	494
	583	24	583	–	1,190
Non-Executive Directors					
P Baker	75	–	–	–	75
E J Beale	45	–	–	–	45
R P E Duignan	50	–	–	–	50
M J Millard	17	–	–	–	17
P J Monk	40	–	–	30	70
	227	–	–	30	257
	840	**24**	**583**	**30**	**1,477**

2015	Salaries/fees £000	Taxable benefits £000	Annual bonus £000	Other £000	Total remuneration £000
Executive Directors					
J G Duffy	334	12	334	240	920
S A Boyd	211	12	211	240	674
	545	24	545	480	1,594
Non-Executive Directors					
P Baker	75	–	–	25	100
E J Beale	45	–	–	–	45
R P E Duignan	50	–	–	50	100
P J Monk	40	–	–	30	70
	210	–	–	105	315
	755	**24**	**545**	**585**	**1,909**

1. Mrs M Millard was appointed as Non-Executive Director on 1 February 2016.
2. "Other" relates to payments awarded to the Executive Directors for the successful execution of the Genius and Fletcher acquisitions and fees for the additional time commitment provided by Mr P Baker and Mr R Duignan in respect of their support on these transactions.
3. Legacy options which vested to J G Duffy and S A Boyd in 2013 and which were settled during this financial year are detailed on page 32 and in Note 7 to the Accounts.
4. No long-term incentive awards vested with respect to a performance period ending in the financial year ended 2 July 2016.

Notes to the Table

Base Salaries

The base salaries for the Executive Directors are set with effect from 1 October, the salaries in the financial years ended 2 July 2016 and 27 June 2015 were as follows.

Executive Director	From 1 October 2014	From 1 October 2015	Percentage increase
J G Duffy	£335,680	£344,072	2.5%
S A Boyd	£212,759	£250,000	17.5%

The increase for Mr S A Boyd is explained in the Statement from the Chairman of the Remuneration Committee.

Taxable Benefits

The taxable benefits for the Executive Directors in the year included a car allowance and private medical insurance.

Annual Bonus

The annual bonus is the total value of the bonus earned in respect of the financial year (including the amount delivered in shares). For the financial year ended 2 July 2016 Executive Directors were able to earn a bonus of up to 100% of annual base salary subject to the achievement of stretching EBITDA performance targets.

The following table sets out the bonus pay-out to the Executive Directors for 2015-16 and how this reflects EBITDA performance for the year.

Performance measure	Actual performance	Resulting level of award for each Executive as a percentage of salary
Earnings before interest, tax, depreciation and amortisation (EBITDA)	EBITDA £24,727,000	100%

Long-term Incentives

Details of the LTIP awards granted on 4 December 2015 are given in the table below:

	Number of shares	Basis of award*	Performance period	Performance conditions
J G Duffy	695,095	200% of salary	3 financial years from 28 June 2015	50% subject to EPS growth and 50% subject to relative TSR (further details below).
S A Boyd	505,051	200% of salary	3 financial years from 28 June 2015	

*The basis of award was calculated using the average price of the shares over the three business days following the announcement on 21 September 2015 of the Company's preliminary results for the year ended 27 June 2015.

Awards will be subject to a further two year holding period following the end of the performance period.

Vesting of 50% of the award will be based upon the amount of the adjusted diluted Earnings Per Share (EPS) delivered in the final Financial Year of the performance period. Below the threshold vesting target of 7.65p, none of this component of the award will vest. 25% of this component will vest if adjusted diluted EPS is 7.65p, with 100% vesting at 10.20p, and vesting determined on a straight-line basis between these figures.

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

The awards are also subject to a general performance underpin assessing factors, including ROCE and other financial indicators of performance over the performance period, at the discretion of the Remuneration Committee.

Directors' Remuneration Policy Report (unaudited)

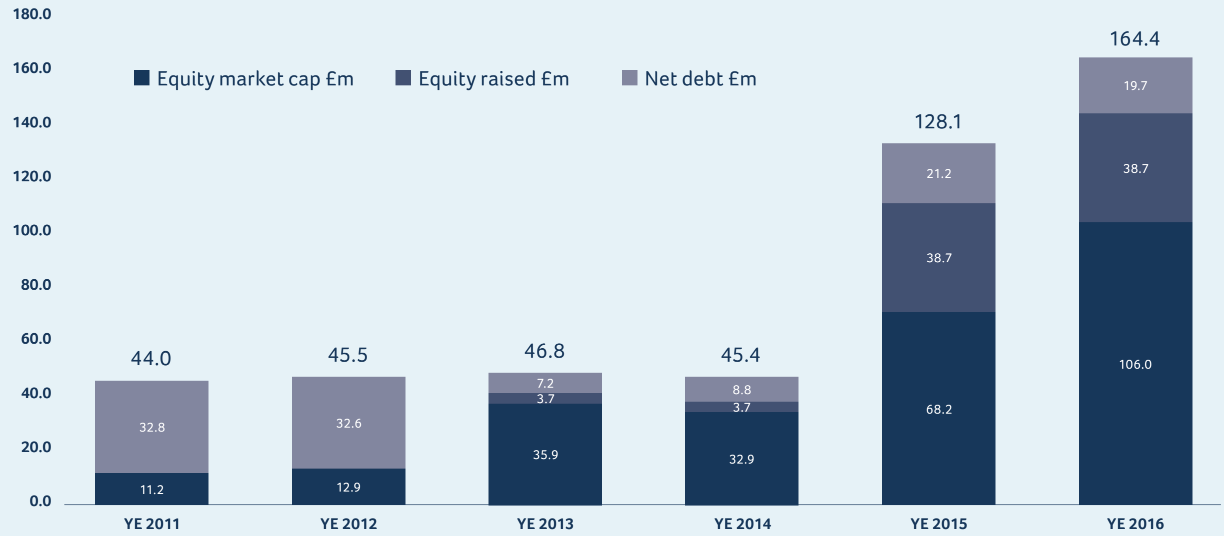
Legacy Unapproved Share Options

In July 2011 J G Duffy and S A Boyd were granted unapproved options over 2,500,000 shares and 2,753,659 shares respectively, with an exercise price of 20.5p per share. Performance conditions designed to reward the turnaround of the Group were achieved in full and the options therefore vested in 2013.

The vested options were due to expire in October 2016. Therefore, in order to minimise share dilution, on 26 April 2016 J G Duffy and S A Boyd agreed to cancel their vested share options in return for a settlement. The settlement was equal to what each of them would have received if they had exercised their share options in full on 26 April 2016 and sold such number of shares necessary to meet the exercise price of 20.5p per share and the income tax and National Insurance costs payable as a result of the exercise. The associated charge is disclosed in Note 7 to the accounts.

The value created for shareholders over the period from grant to settlement of the options is shown in the chart below:

Enterprise Value



Non-Executive Director Fees

Details of Non-Executive Directors' fees for 2015-16 are as set out below. The Non-Executive Directors' base fee increased to an annual rate of £50,000 on 1 July 2016:

Chairman fee	Non-Executive Director fee	Chairman of the Remuneration Committee	Member of the Remuneration Committee	Chairman of the Audit Committee	Member of the Audit Committee
£75,000	£40,000	£5,000	£2,500	£5,000	£2,500

Payments Made to Former Directors during the Year

No payments were made in the year to any former Director of the Company.

Payments for Loss of Office Made During the Year

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

Statement of Directors' Shareholding and Share Interests

The interests of the Directors and their immediate families in the Company's ordinary shares as at 27 June 2015 and 2 July 2016 were as follows.

	2 July 2016 Number	27 June 2015 (or date of appointment) Number
Executive Directors		
J G Duffy	2,197,599	2,111,762
S A Boyd	961,034	906,629
Non-Executive Directors		
P Baker	86,000	46,000
E J Beale	40,000	40,000
R P E Duignan	-	-
M J Millard	-	-
P J Monk	291,547	291,547

The interests of the Directors and their immediate families in the Company's ordinary shares did not change between 2 July 2016 and the date these accounts were signed on 16 September 2016. Zoe Morgan was appointed as Non-Executive Director on 4 July 2016, her shareholding on appointment and at 16 September 2016 was 20,981.

The interests of each Executive Director of the Company as at 2 July 2016 in the Company's share schemes were as follows:

Executive Director	Number of options at 27 June 2015	Granted	Exercised	Lapsed/ cancelled	Number of options at 2 July 2016
J G Duffy	2,500,000	-	-	(2,500,000)	-
J G Duffy	1,137,898	-	-	-	1,137,898
J G Duffy	-	695,095	-	-	695,095
S A Boyd	2,753,659	-	-	(2,753,659)	-
S A Boyd	721,217	-	-	-	721,217
S A Boyd	-	505,051	-	-	505,051
	7,112,774	1,200,146	-	(5,253,659)	3,059,261

Consideration by the Directors of Matters Relating to Directors' Remuneration

The Remuneration Committee comprises R Duignan (Chairman) and E Beale. The Company Secretary attends the meeting as secretary to the Committee. The Committee's responsibilities are:

- Maintaining the remuneration policy;
- Reviewing the remuneration packages of the Executive Directors;
- Monitoring the level and structure of the remuneration of Senior Management; and
- Production of the Annual Report on Directors' remuneration.

The Chief Executive Officer and Group Finance Director occasionally attend meetings and provide information and support as requested.

Advisors

During the financial year the Committee received advice from Deloitte LLP. The Committee is satisfied that the advice received is independent and objective. Deloitte is a founding member of the Remuneration Consultants Group and voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK.

Implementation of Directors' Remuneration Policy for the Financial Year Commencing 3 July 2016

Information on how the Company intends to implement the Directors' Remuneration Policy for the financial year commencing on 3 July 2016 is set out overleaf.

Directors' Remuneration Policy Report (unaudited)

Salaries/Fees

Salary increases for 2016-17 were reviewed in September and increases of 1.8% have been made in line with inflationary increases to the wider workforce. The provision of benefits will remain unchanged.

The Non-Executive Director basic fees increased from £40,000 to £50,000 with effect from 1 July 2016 in order to reflect the time demands of the role in response to what has been, and will continue to be, an active growth strategy.

Annual Bonus

Annual bonus opportunity for the Executive Directors will continue to be 100% of salary subject to the achievement of stretching EBITDA performance targets with payment made 50% in cash and 50% in shares. The Committee considers EBITDA to be the key short-term financial measure.

Long-term Incentives

Awards under the LTIP will be made following the announcement of our results and the Committee will discuss the performance conditions which will apply, although anticipate that this will continue to be absolute EPS targets and relative TSR against the FTSE Small Cap. The targets will be disclosed in the Remuneration Report next year.

Approval

This Report was approved by the Board on 16 September 2016 and signed on its behalf by:

Raymond Duignan
Chairman of the Remuneration Committee

Consolidated Statement of Profit and Loss and Other Comprehensive Income

for the 53 weeks ended 2 July 2016 and 52 weeks ended 27 June 2015

	Note	2016 £000	2015 £000
Revenue	3	**319,680**	256,166
Cost of sales		**(217,092)**	(177,276)
Gross profit		**102,588**	78,890
Administrative expenses	4	**(89,797)**	(69,364)
Results from operating activities		**12,791**	9,526
Finance income	8	**221**	134
Finance cost	8	**(1,208)**	(1,178)
Net finance cost		**(987)**	(1,044)
Profit before tax and share of losses of equity accounted investees		**11,804**	8,482
Share of losses of equity accounted investees	2	**(14)**	-
Profit before tax		**11,790**	8,482
Taxation	9	**(3,286)**	(1,862)
Profit for the financial year		**8,504**	6,620
Other comprehensive (expense)/income			
Items that will not be reclassified to profit and loss			
Remeasurement on defined benefit pension scheme	16	**(2,595)**	(153)
Movement in deferred taxation on pension scheme liability	24	**390**	31
Other comprehensive expense for the financial year, net of tax		**(2,205)**	(122)
Total comprehensive income for the financial year		**6,299**	6,498
Profit attributable to:			
Equity holders of the parent		**7,791**	6,179
Non-controlling interest		**713**	441
Profit for the financial year		**8,504**	6,620
Total comprehensive income attributable to:			
Equity holders of the parent		**5,586**	6,057
Non-controlling interest		**713**	441
Total comprehensive income for the financial year		**6,299**	6,498
Earnings per ordinary shares			
Basic	10	**6.1**	5.8
Diluted	10	**6.0**	5.6

The Notes on pages 39 to 68 form an integral part of these Financial Statements.

Consolidated Statement of Financial Position

at 2 July 2016 and 27 June 2015

	Note	2016 £000	2015 £000
Non-current assets			
Intangibles	12	**77,596**	80,071
Property, plant and equipment	13	**50,501**	46,038
Investments in equity accounted investees	14	**211**	225
Other financial assets	14	**28**	28
Deferred tax assets	24	**3,492**	4,446
		131,828	130,808
Current assets			
Inventories	17	**12,577**	11,268
Trade and other receivables	18	**50,332**	48,381
Cash and cash equivalents	19	**3,024**	61
Current tax asset		**-**	40
Other financial assets – fair value of foreign exchange contracts	14	**-**	117
		65,933	59,867
Total assets		**197,761**	190,675
Current liabilities			
Other interest-bearing loans and borrowings	20	**(13,829)**	(9,288)
Trade and other payables	22	**(64,357)**	(62,283)
Provisions	23	**(247)**	(252)
Deferred purchase consideration		**-**	(50)
Other financial liabilities – fair value of interest rate swaps/foreign exchange	14	**(157)**	(359)
Current tax liabilities		**(1,210)**	-
		(79,800)	(72,232)
Non-current liabilities			
Other interest-bearing loans and borrowings	20	**(8,740)**	(11,746)
Provisions and other liabilities	23	**(141)**	(161)
Deferred tax liabilities	24	**(1,547)**	(103)
Pension fund liability	16	**(6,463)**	(3,837)
		(16,891)	(15,847)
Total liabilities		**(96,691)**	(88,079)
Net assets		**101,070**	102,596
Equity attributable to equity holders of the parent			
Share capital	27	**1,304**	1,280
Share premium account	26	**64,956**	64,952
Capital redemption reserve	26	**578**	578
Employee share reserve	26	**(3,920)**	-
Retained earnings	26	**36,569**	34,580
		99,487	101,390
Non-controlling interest		**1,583**	1,206
Total equity	26	**101,070**	102,596

These Financial Statements were approved by the Board of Directors on 16 September 2016 and were signed on its behalf by:

Stephen Boyd
Director

Registered Number 00204368

The Notes on pages 39 to 68 form an integral part of these Financial Statements.

Consolidated Statement of Changes in Equity

for the 53 weeks ended 2 July 2016 and 52 weeks ended 27 June 2015

	Note	Share capital £000	Share premium £000	Capital redemption reserve £000	Employee share reserve £000	Retained earnings £000	Non-controlling interest £000	Total equity £000
Balance at 29 June 2014		669	31,480	578	-	29,849	1,127	63,703
Profit for the financial year		-	-	-	-	6,179	441	6,620
Other comprehensive income/(expense):								
Remeasurement of defined benefit pension	16	-	-	-	-	(153)	-	(153)
Deferred tax movement on pension scheme remeasurement	24	-	-	-	-	31	-	31
Total other comprehensive expense		**-**	**-**	**-**	**-**	**(122)**	**-**	**(122)**
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**6,057**	**441**	**6,498**
Transactions with owners, recorded directly in equity:								
Shares issued during the year	27	611	33,472	-	-	-	-	34,083
Impact of share based payments	27	-	-	-	-	(10)	-	(10)
Deferred tax on share options		-	-	-	-	243	-	243
Dividend paid	28	-	-	-	-	(1,559)	(362)	(1,921)
Balance at 27 June 2015		**1,280**	**64,952**	**578**	**-**	**34,580**	**1,206**	**102,596**
Balance at 28 June 2015		1,280	64,952	578	-	34,580	1,206	102,596
Profit for the financial year		-	-	-	-	7,791	713	8,504
Other comprehensive (expense)/income:								
Remeasurement on defined benefit pension	16	-	-	-	-	(2,595)	-	(2,595)
Deferred tax movement on pension scheme remeasurement	24	-	-	-	-	390	-	390
Total other comprehensive expense		**-**	**-**	**-**	**-**	**(2,205)**	**-**	**(2,205)**
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**5,586**	**713**	**6,299**
Transactions with owners, recorded directly in equity:								
Own shares acquired	27	-	-	-	(3,920)	-	-	(3,920)
Shares issued during the year	27	24	4	-	-	(23)	-	5
Impact of share based payments	27	-	-	-	-	306	-	306
Deferred tax on share options		-	-	-	-	(575)	-	(575)
Dividend paid	39	-	-	-	-	(3,305)	(336)	(3,641)
Balance at 2 July 2016		**1,304**	**64,956**	**578**	**(3,920)**	**36,569**	**1,583**	**101,070**

The Notes on pages 39 to 68 form an integral part of these Financial Statements.

Consolidated Cash Flow Statement

for the 53 weeks ended 2 July 2016 and 52 weeks ended 27 June 2015

	Note	2016 £000	2015 £000
Cash flows from operating activities			
Profit for the financial year		**8,504**	6,620
Adjustments for:			
Taxation	9	**3,286**	1,862
Net finance costs	8	**987**	1,044
Depreciation	13	**7,090**	5,433
Amortisation of intangibles	12	**539**	403
Non-cash impairment of goodwill	12	**4,290**	-
Share of losses of equity accounted investees after tax	14	**14**	-
Share options charge/(credit)	27	**-**	(10)
Contributions by employer to pension scheme	16	**(117)**	(100)
Fair value charge/(credit) for foreign exchange contracts	14	**134**	(181)
Operating profit before changes in working capital		**24,727**	15,071
Changes in working capital:			
Increase in inventories		**(1,091)**	(1,004)
Increase in trade and other receivables		**(2,253)**	(7,259)
Increase in trade and other payables		**1,711**	10,510
Cash generated from operations		**23,094**	17,318
Interest paid		**(1,180)**	(923)
Tax paid		**(1,603)**	(1,164)
Net cash from operating activities		**20,311**	15,231
Cash flows from investing activities			
Purchase of property, plant and equipment		**(12,141)**	(7,354)
Purchase of subsidiary companies	11	**-**	(40,809)
Deferred consideration (paid)/received	11	**(50)**	3,000
Settlement of acquired debt		**-**	(19,740)
Cash received with acquisition		**-**	4,990
Net cash used in investing activities		**(12,191)**	(59,913)
Cash flows from financing activities			
Drawdown of new facility		**-**	24,028
Drawdown/(repayment) of invoice discounting	21	**7,427**	(8,159)
(Repayment)/drawdown of revolving credit	21	**(2,000)**	-
Repayment of mortgage and bank loans	21	**(3,672)**	(3,622)
Repayment of asset finance liabilities	21	**(284)**	(380)
Issue of ordinary share capital		**5**	34,083
Purchase of shares by employee benefit trust		**(2,835)**	-
Dividend paid to non-controlling interest	28	**(336)**	(362)
Dividend paid to shareholders	39	**(3,305)**	(1,559)
Net cash from financing activities		**(5,000)**	44,029
Net increase/(decrease) in cash and cash equivalents		**3,120**	(653)
Opening cash and cash equivalents		**61**	592
Effect of exchange rate fluctuations on cash held		**(157)**	122
Cash and cash equivalents at end of period	19	**3,024**	61

The Notes on pages 39 to 68 form an integral part of these Financial Statements.

Notes to the Consolidated Financial Statements

(forming part of the Financial Statements)

Presentation of Financial Statements

Basis of Preparation

These accounts cover the 53 week period ended 2 July 2016 (prior financial year is the 52 week period ended 27 June 2015). 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 Financial Statements for the Company have been prepared in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"), these are presented on pages 69 to 78.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position is provided in Note 53.

It should be noted that current liabilities exceed current assets. Having reviewed the Group's short and medium term plans and available financial facilities, the Board has reasonable expectations that the Group has adequate resources to continue in operational existence for the next 12 months and the foreseeable future. The Group has stayed within its banking facilities during the year, meeting covenant requirements and expects to continue to meet them over the next 12 months. The Group has continued support from its banks with facilities of £50.9m. 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 and none expected during the next 12 months. 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.

- Acquisition related intangible assets are considered to have finite lives ranging from 15 to 20 years. The determination of the fair value and useful lives are subject to estimates and judgement. Impairment reviews in respect of intangibles are performed where there is indication of impairment. Impairment of goodwill is carried out annually and 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 in accordance with IAS 19 (revised), 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.

- A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. The deferred tax asset recognised for losses relate to acquired businesses. Based on current and forecast levels of profitability, the losses are expected to be utilised within 3 years.

Notes to the Consolidated Financial Statements

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 Limited, 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, the owner of the remaining 50%.

Business Combinations

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

Foreign Currency

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

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

Derivative Financial Instruments

The Group has derivative financial instruments in respect of interest rate swaps and foreign exchange hedges. The Group does not hold derivative financial instruments for trading purposes. The existing interest rate swaps and foreign exchange hedges used by the Group while they function as hedges, do not meet the criteria for hedge accounting set out by 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.

Non-derivative Financial Instruments

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

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

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

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

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

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

1. Significant Accounting Policies (continued)

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.

Equity Accounted Investees

Equity Accounted Investees (Associates) are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Application of the Equity Method to Associates and Joint Ventures

Equity Accounted Investees are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated Financial Statements include the Group's share of the total comprehensive income and equity movements of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

Intangible Assets and Goodwill

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

Impairment

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

1. Significant Accounting Policies (continued)

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

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

Employee Benefits
Defined Benefit Plans
Memory Lane Cakes 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.

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 administrative expense in the period to which they relate.

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

Revenue
Revenue 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 related rebates known as over-riders. Revenue is recognised upon despatch of goods. The nature and timing of promotions and over-riders is typically known, accruals are established at the time of sale based on information available and management's expectations of the amounts necessary to meet the claims of customers.

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

Licence Fees
Payments made for licence fee charges are recognised under cost of sales in the Consolidated Statement of 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 the net defined benefit pension plan position and adverse changes in the fair value of interest rate swaps.

Finance income comprises interest receivable on funds invested and favourable changes in the fair value of interest rate swaps. Interest income is recognised in 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.

1. Significant Accounting Policies (continued)

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

Research and Development Expenditure

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

2. Prior Year Acquisitions

On 30 October 2014 the Group acquired the entire share capital of the Fletchers Group (Fletchers) for £56.4 million less £2.6 million working capital adjustment. Fletchers produces morning goods and specialist bread products for leading UK grocery retailers and foodservice customers. Strategic and financial benefits of the acquisition include, complementary product ranges and new foodservice channels, retail customer diversification, the benefits of significant capital investment within Fletchers' manufacturing and a multi-channel platform for further acquisitions in due course. In the period between acquisition date and 27 June 2015, the acquired Group contributed a profit before tax of £3,144,000.

The cash outflow under 'investing activities' on the face of the Consolidated Cash Flow Statement relates to the following acquisitions/investments in the prior year:

	£000
Initial consideration	39,084
Debt settled	19,740
Cash acquired	(4,990)
Cash consideration (excluding acquisition costs)	53,834
Working capital adjustment	2,598
Total consideration	56,432

The acquisition had the following effect on the Group's assets and liabilities:

	Fair value carrying amount £000
Acquiree's net assets at acquisition date:	
Property, plant and equipment	21,094
Stock	5,387
Trade and other receivables	16,852
Deferred tax asset	3,903
Trade and other payables	(20,536)
Working capital adjustment	2,598
Net identifiable assets	29,298
Intangibles	8,770
Goodwill	18,364
	56,432

Further information on intangible assets is provided in Note 12 to the Financial Statements.

On 16 June 2015 the Group acquired the business, production assets, stock and customer list of Johnstone's Just Desserts from administrators for £1.6 million. A new legal entity Johnstone's Foodservice Limited was formed and trading commenced under this legal entity from the acquisition date. In the period between acquisition date and 27 June 2015, the new subsidiary contributed a profit before tax of £23,000.

	Fair value carrying amount £000
Acquiree's net assets at acquisition date:	
Property, plant and equipment	1,489
Stock	496
Trade and other receivables	22
Trade and other payables	(829)
Working capital adjustment	40
Net identifiable assets	1,218
Goodwill	372
	1,590
Consideration paid net of working capital adjustment	1,550

2. Prior Year Acquisitions (continued)

Investment in Equity Accounted Investees

On 26 May 2015 the Group acquired 25% of the ordinary share capital of Dr Zak's Ltd for a consideration of £225,000 of which £50,000 was deferred, being payable within one year of the acquisition date.

	2016 £000	2015 £000
Carrying amount of immaterial equity accounted investees	**211**	225

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 it is 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
- Significant non-recurring items
- Fair value adjustments relating to acquisitions
- Pension charges or credits in relation to the net pension position
- Revaluation of interest rate swaps and forward foreign currency contracts

The UK bakery segment manufactures and sells bakery products to the UK's multiple grocers and foodservice sectors. This segment primarily comprises the operations of Memory Lane Cakes Ltd, Lightbody Group Ltd, Campbells Cake Company Ltd, Johnstone's Foodservice Ltd, Fletchers Bakeries Ltd and Nicholas & Harris Ltd. These subsidiaries are 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 production process – the production processes have the same or similar characteristics
- The economic characteristics – the average gross margins are expected to be similar

The core operation of the Overseas segment is the distribution of the Group's UK manufactured products 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 spend 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 loss from continuing operations of £0.3m (2015: profit £0.3m) 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)

53 week period ended 2 July 2016	UK bakery £000	Overseas £000	Group operations £000	Total group £000
Continuing				
Revenue				
External	**291,196**	**28,484**	**-**	**319,680**
Total underlying profit	**15,887**	**1,511**	**(300)**	**17,098**
Fair value foreign exchange contracts				(134)
Share options charge				-
Defined benefit pension scheme				117
Significant non-recurring items				(4,290)
Results from operating activities				**12,791**
Finance income				221
Finance cost				(1,208)
Net finance cost				**(987)**
Share of losses of equity accounted investees after tax				(14)
Profit before taxation				**11,790**
Taxation				(3,286)
Profit for the financial year				**8,504**
At 2 July 2016				
Segment assets	**187,827**	**6,337**	**292**	**194,456**
Unallocated assets				**3,305**
Consolidated total assets				**197,761**
Segment liabilities	**(61,557)**	**(5,355)**	**(7,052)**	**(73,964)**
Unallocated liabilities				**(22,727)**
Consolidated total liabilities				**(96,691)**
Other segment information				
Capital expenditure	(12,115)	(26)	-	(12,141)
Depreciation included in segment profit	7,063	27	-	7,090
Amortisation	539	-	-	539
Impairment of goodwill	4,290	-	-	4,290
Inter-segmental sale/(purchases)	8,488	(8,488)	-	-

Analysis of unallocated assets and liabilities:

	Assets £000		Liabilities £000
Investments	253	Loans and borrowings	(22,570)
Financial instruments	-	Financial instruments	(157)
Cash and cash equivalents	3,024	Cash and cash equivalents	-
Taxation balances	28	Taxation balances	-
Unallocated assets	3,305	Unallocated liabilities	(22,727)

With regard to revenue, five customers with sales of £66m, £62m, £39m, £29m and £24m account for 69% of revenue, which is attributable to the UK bakery and Overseas segments above.

Impairment loss relates to the Anthony Alan Foods Ltd acquisition in 2007 which falls under the UK bakery segment.

Notes to the Consolidated Financial Statements

3. Revenue and Segment Information (continued)

52 week period ended 27 June 2015	UK bakery £000	Overseas £000	Group operations £000	Total group £000
Continuing				
Revenue				
External pre acquisition	**164,255**	**22,186**	**-**	**186,441**
External acquired	**69,725**	**-**	**-**	**69,725**
Total revenue	**233,980**	**22,186**	**-**	**256,166**
Profit pre acquisition	**7,748**	**1,154**	**347**	**9,249**
Profit from acquired businesses	**3,167**	**-**	**-**	**3,167**
Total underlying profit	**10,915**	**1,154**	**347**	**12,416**
Fair value foreign exchange contracts				181
Share options charge				10
Defined benefit pension scheme				100
Significant non-recurring items				(3,181)
Results from operating activities				**9,526**
Finance income				134
Finance cost				(1,178)
Profit before taxation				**8,482**
Taxation				(1,862)
Profit for the financial year				**6,620**
At 27 June 2015				
Segment assets	**183,623**	**5,042**	**1,508**	**190,173**
Unallocated assets				**502**
Consolidated total assets				**190,675**
Segment liabilities	**(53,660)**	**(4,056)**	**(8,786)**	**(66,502)**
Unallocated liabilities				**(21,577)**
Consolidated total liabilities				**(88,079)**
Other segment information				
Capital expenditure	7,320	34	-	7,354
Depreciation included in segment profit	5,414	19	-	5,433
Amortisation	403	-	-	403
Inter-segmental sales/(purchases)	6,072	(6,072)	-	-

Analysis of unallocated assets and liabilities:

	Assets £000		Liabilities £000
Investments	253	Loans and borrowings	(21,034)
Financial instruments	117	Financial instruments	(359)
Cash and cash equivalents	61	Cash and cash equivalents	-
Taxation balances	71	Taxation balances	(184)
Unallocated assets	502	Unallocated liabilities	(21,577)

With regard to revenue, five customers with sales of £53m, £36m, £27m, £24m and £20m account for 62% 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 revenue by destination	2016 £000	2015 £000
Continuing:		
United Kingdom	**286,562**	230,299
Europe	**33,118**	25,856
Rest of World	–	11
Total continuing	**319,680**	256,166

Capital expenditure on segment assets is detailed in Note 3.

Geographical split by country of origin	United Kingdom £000	Europe £000	Total £000
2016			
Revenue	291,196	28,484	319,680
Operating profit	15,587	1,511	17,098
Total assets	191,424	6,337	197,761
Total liabilities	(91,336)	(5,355)	(96,691)
Net assets	100,088	982	101,070

	United Kingdom £000	Europe £000	Total £000
2015			
Revenue	233,980	22,186	256,166
Operating profit	11,262	1,154	12,416
Total assets	185,633	5,042	190,675
Total liabilities	(84,023)	(4,056)	(88,079)
Net assets	101,610	986	102,596

The net assets shown under Europe comprises Lightbody Stretz Ltd, being the 50% owned parent company of Lightbody Europe SAS, the French based selling and distribution business.

Notes to the Consolidated Financial Statements

4. Expenses and Auditor's Remuneration

Included in profit are the following:

	2016 £000	2015 £000
Amortisation of intangibles	**539**	403
Depreciation of owned tangible assets	**6,770**	5,096
Depreciation on assets under finance leases and hire purchase contracts	**320**	337
Loss on foreign exchange	**(326)**	(140)
Hire of plant and machinery – operating leases	**810**	679
Hire of other assets – operating leases	**1,877**	1,452
Movement on fair value of foreign exchange contracts	**134**	(181)
Research and development	**2,287**	1,737
Share option charges/(credits)	**739**	(10)

Amortisation of intangibles for the year was £539,000 (2015: £403,000) relating to the Fletchers acquisition in October 2014.

Auditor's remuneration:

	2016 £000	2015 £000
Audit of these Financial Statements	**47**	26
Amounts receivable by the auditor and its associates in respect of:		
Audit of the Financial Statements of subsidiaries of the Company	**122**	116
Taxation compliance services	**22**	16
Services related to corporate finance transactions	**-**	278
Other services	**104**	176

The auditor's remuneration is in respect of KPMG LLP. Fees 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.

A charge of £4,290,000 relates to impairment of goodwill acquired in 2007, (2015: £3,181,000 relates to acquisition transaction costs). These are included in administrative expenses in the Consolidated Statement of Profit and Loss and Other Comprehensive Income.

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	
	2016	2015
Production	**2,621**	2,297
Selling and distribution	**229**	186
Administration, technical, new product development	**200**	164
	3,050	2,647

The aggregate payroll costs of these persons were as follows:

	2016 £000	2015 £000
Wages and salaries	**71,131**	57,848
Share option charges	**739**	(10)
Social security costs	**6,478**	4,875
Charge in respect of defined contribution pension plans	**1,187**	1,191
	79,535	63,904

7. Remuneration of Directors

	2016 £000	2015 £000
Fees	**257**	315
Executive salaries and benefits	**607**	569
Bonuses	**544**	1,016
	1,408	1,900

The aggregate of emoluments and amounts receivable under long-term incentive schemes of the highest paid Director was £687,000 (2015: £914,000), there were no Company pension contributions made to a defined contribution scheme during the current or prior year. Bonuses include cash bonus of £245,000 (2015: £407,000) and shares issued with a total cost of £88,000 (2015: £161,000). There were no share options exercised in the period by the highest paid Director, 2,500,000 options were cancelled in return for 1,102,957 shares. A cash amount of £1,196,503 was paid to meet the pay as you earn (PAYE) and national insurance (NI) liability arising on the settlement of the options. There was no cash benefit to the highest paid Director as a result of settling the options in this way.

A further 2,753,659 of Director's options were cancelled in return for 1,214,867 ordinary shares and payment of £1,317,904 in settlement of PAYE and NI liability arising on the settlement of the options. The associated costs of £2.8 million are shown in administrative expenses in the Consolidated Statement of Profit and Loss and Other Comprehensive Income. In the prior year 146,341 share options were exercised at an exercise price of 20.5 pence per share, the market value at exercise date was 59.4 pence per share.

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

The emoluments **paid** to Directors were as follows:

	Fees £000	Salary £000	Benefits £000	Annual Bonus £000	**Year ended 2 July 2016 £000**	Year ended 27 June 2015 £000
P Baker	75	-	-	-	**75**	100
E J Beale	45	-	-	-	**45**	45
S A Boyd – paid	-	241	12	155	**408**	542
S A Boyd – shares	-	-	-	56	**56**	129
J G Duffy – paid	-	342	12	245	**599**	753
J G Duffy – shares	-	-	-	88	**88**	161
R P E Duignan	50	-	-	-	**50**	100
M J Millard	17	-	-	-	**17**	-
P J Monk	70	-	-	-	**70**	70
	257	583	24	544	**1,408**	1,900

Shares comprise 85,838 shares issued to J G Duffy and 54,405 shares issued to S A Boyd. During the year awards over 1,200,146 shares under the long-term incentive plan (LTIP) were granted to Directors in the form of nil cost options (2015: 1,859,115). The vesting of the awards are conditional upon performance conditions over a three year period commencing 28 June 2015 and are subject to a further two year holding period.

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

	Number of options at 2 July 2016	Number of options at 27 June 2015	Exercise price	Earliest exercise date	Exercise expiry date
S A Boyd	**-**	2,753,659	20.5p	08/07/2014	30/10/2016
S A Boyd	**721,217**	721,217	Nil	01/07/2019	26/06/2025
S A Boyd	**505,051**	-	Nil	01/07/2020	04/12/2025
J G Duffy	**-**	2,500,000	20.5p	08/07/2014	30/10/2016
J G Duffy	**1,137,898**	1,137,898	Nil	01/07/2019	26/06/2025
J G Duffy	**695,095**	-	Nil	01/07/2020	04/12/2025
	3,059,261	7,112,774			

The mid-market price of the ordinary shares on 2 July 2016 was 111.0p (2015: 83.5p) and the range during the 53 week period to 2 July 2016 was 80p to 124p (2015: 53p to 92p).

Notes to the Consolidated Financial Statements

8. Finance Income and Cost

Recognised in the Consolidated Statement of Profit and Loss

	2016 £000	2015 £000
Finance income		
Change in fair value of interest rate swaps	**219**	28
Bank interest receivable	**2**	1
Unwinding of discount of deferred consideration receivable	**-**	105
Total finance income	**221**	134
Finance cost		
Interest on net pension position	**(148)**	(154)
Bank interest payable	**(787)**	(748)
Interest on interest rate swap agreements	**(273)**	(276)
Total finance cost	**(1,208)**	(1,178)

9. Taxation

Recognised in the Consolidated Statement of Profit and Loss

	2016 £000	2015 £000
Current tax		
Current year	**2,745**	1,221
Adjustments for prior years	**82**	(121)
Total current tax	**2,827**	1,100
Deferred tax		
Origination and reversal of temporary differences	**928**	753
Retirement benefit deferred tax charge	**(6)**	(11)
Adjustments for prior years	**(463)**	20
Total deferred tax	**459**	762
Total tax expense	**3,286**	1,862

Reconciliation of Effective Tax Rate

The weighted average hybrid rate of UK and French tax is 21.8% (2015: 22.8%). The tax assessed for the period is lower (2015: lower) than the hybrid rate of UK and French tax. The UK corporation tax rate for the period is 20.00% (2015: 20.75 %). The differences are explained below:

	2016 £000	2015 £000
Profit before taxation before losses from equity accounted investees	**11,804**	8,482
Tax using the UK corporation tax rate of 20.00% (2015: 20.75%)	**2,361**	1,760
Overseas profits charged at different taxation rate	**207**	173
Non-deductible expenses	**99**	239
Amortisation of intangible asset	**-**	60
Temporary differences*	**7**	(143)
Restatement of opening net deferred tax due to rate change and differences in rates	**275**	(28)
R&D uplift current year	**(140)**	(98)
Adjustments to tax charge in respect of prior periods	**(381)**	(101)
Tax expense (excluding significant non-recurring item)	**2,428**	1,862
Tax rate for the period (excluding disallowable impairment)	**20.6%**	22.0%
Disallowable intangible impairment	**858**	-
Total tax expense	**3,286**	1,862

*Temporary differences relate to share based payments.

9. Taxation (continued)

Reductions in the corporation tax rate from 21% to 20% (effective from 1 April 2014) were substantively enacted on 2 July 2013. Legislation has been introduced in the Summer Finance Bill 2015 to reduce the main rate of corporation tax from 20% to 19% from 1 April 2017 and 18% from 1 April 2020. The deferred tax asset at 2 July 2016 has been calculated based on the rate of 18% substantively enacted at the balance sheet date. The impact through the profit and loss of reduction from 20% to 18% on recognised net deferred tax asset is £275,000 charge.

A further reduction in the UK corporation tax rate to 17% from 1 April 2020 was announced in the Budget on 16 March 2016. This rate will not affect the measurement of deferred tax until it has been substantively enacted.

The adjustment of £381,000 for prior year includes deferred tax on amortisation of intangibles (see Notes 12 and 24 for further details), ineligible capital spend and additional tax relief on qualifying R&D expenditure for prior periods.

The Company has an unrecognised deferred tax asset of £172,170 (2015: £191,300). This asset has not been recognised in these Financial Statements as suitable profits to utilise the underlying capital 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 being 126,938,000 (2015: 106,759,000).

Basic diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all potential dilutive ordinary shares. At 2 July 2016, the diluted weighted average number of shares in issue was 129,206,000 (2015: 110,507,000).

An adjusted earnings per share and an adjusted diluted earnings per share have also been calculated for a 52 week period as in the opinion of the Board this will allow shareholders to gain a clearer understanding of the trading performance of the Group and year on year comparisons. These adjusted earnings per share exclude:

- Reorganisation and other significant non-recurring items
- 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 net income
- IFRS 3 'Business Combinations' discount charge relating to deferred consideration payable and receivable
- The taxation effect at the appropriate rate on adjustments
- Amortisation of intangible assets

Significant non-recurring items are tabled in the Strategic Report on page 17.

	53 weeks to 2 Jul 2016 £000	52 weeks to 2 Jul 2016 £000	52 weeks to 27 Jun 2015 £000
Profit			
Profit attributable to equity holders of Company (basic)	7,791	7,528	6,179
Significant non-recurring, amortisation of intangibles and other items	4,692	4,692	2,643
Numerator for adjusted earnings per share calculation (adjusted basic)	12,483	12,220	8,822

	Basic '000	Diluted '000	Basic '000	Diluted '000	Basic '000	Diluted '000
Shares						
Weighted average number of ordinary shares in issue during the period	126,938	126,938	126,938	126,938	106,759	106,759
Dilutive effect of share options	-	2,268	-	2,268	-	3,748
	126,938	129,206	126,938	129,206	106,759	110,507

	Basic Pence	Diluted Pence	Basic Pence	Diluted Pence	Basic Pence	Diluted Pence
Earnings per share						
Basic and diluted	6.1	6.0	5.9	5.8	5.8	5.6
Adjusted basic and adjusted diluted	9.8	9.7	9.6	9.5	8.3	8.0

11. Purchase of Subsidiary Companies and Deferred Consideration Cashflow

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

	2016 £000	2015 £000
Cash consideration paid in respect of Fletchers Group of Bakeries acquisition	**-**	39,084
Cash consideration paid in respect of Johnstone's Just Desserts Ltd acquisition	**-**	1,550
Cash consideration paid in respect of 25% share of Dr Zak's Ltd	**-**	175
Cash outflow	**-**	40,809
Deferred consideration paid in respect of 25% share of Dr Zak's Ltd	**50**	-
Deferred consideration received in respect of the sale of Free From	**-**	(3,000)

12. Intangibles

Intangible assets comprise customer relationships, brands and goodwill.

	Goodwill £000	**Software £000**	**Brands and licences £000**	**Customer relationships £000**	**Total £000**
Cost at 28 June 2014	52,968	-	822	-	53,790
Cost at 27 June 2015	71,704	-	3,683	5,909	81,296
Adjustment in respect of prior year acquisition (see Note below)	1,754	-	-	-	1,754
Additions	-	600	-	-	600
Cost at 2 July 2016	**73,458**	**600**	**3,683**	**5,909**	**83,650**
Amortisation at 28 June 2014	-	-	(822)	-	(822)
Charge for the year 27 June 2015	-	-	(107)	(296)	(403)
Amortisation at 27 June 2015	-	-	(929)	(296)	(1,225)
Charge for the year 2 July 2016	(4,290)	-	(144)	(395)	(4,829)
Amortisation/impairment at 2 July 2016	**(4,290)**	**-**	**(1,073)**	**(691)**	**(6,054)**
Net book value at 28 June 2014	52,968	-	-	-	52,968
Net book value at 27 June 2015	71,704	-	2,754	5,613	80,071
Net book value at 2 July 2016	**69,168**	**600**	**2,610**	**5,218**	**77,596**

A deferred tax liability in respect of the intangible assets recognised as part of the prior year acquisition has been updated and reflected in the current year Financial Statements, resulting in an increase in the deferred tax liability of £1,754,000 and a corresponding increase in goodwill. The deferred tax liability will unwind in line with the amortisation of the intangible assets (see Notes 9 and 24 for the details of the tax impact).

The brand and customer relationships recognised were purchased as part of the acquisition of Fletchers Group of Bakeries in October 2014. They are considered to have finite useful lives and are amortised on a straight-line basis over their estimated useful lives of twenty years for brands and fifteen years for customers. The intangibles were valued using an income approach, using Multi-Period excess earnings Method for customer relationships and Relief from Royalty Method for brand valuation. The amortisation of intangibles has been charged to administrative expenses in the Income Statement.

Goodwill has arisen on acquisitions and reflects the future economic benefits arising from assets that are not capable of being identified individually and recognised as separate assets. The goodwill reflects the anticipated profitability and synergistic benefits arising from the enlarged Group structure. The goodwill is the balance of the total consideration less fair value of assets acquired and identified. The carrying value of the goodwill is reviewed annually for impairment. The carrying value of all goodwill has been assessed during the year and a non-cash impairment of goodwill arising from an acquisition in 2007 has been made during the year.

The Group tests goodwill for impairment on an annual basis, or more frequently if there are indications that the goodwill may be impaired. The recoverable amounts of the cash generating units are determined from value in use calculations. The key assumptions for the value in use calculations are the discount 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 covering a five year period based on the detailed financial forecasts approved by management for the next three years with estimated growth and inflation of 3% (2015: 3%) and 3% (2015: 3%) respectively thereafter (with the exception of Anthony Alan Foods Limited, see opposite). The cashflows beyond this forecast are extrapolated to perpetuity using a nil growth rate on a prudent basis, to reflect the uncertainties of forecasting further than five years. Changes in revenue and direct costs are based on past experience and expectations of future changes in the market.

12. Intangibles (continued)

The revenue growth rate combines volume, mix and price of products. An inflation factor has been applied to costs of sales, variable costs and indirect costs and takes into consideration the general rate of inflation, movements in commodities, improvement in efficiencies from capital investment and operations and purchasing initiatives.

A pre-tax discount rate of 10% (2015: 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.

A non-cash impairment of the goodwill arising from the acquisition of Anthony Alan Foods Ltd in 2007 has been made during the year. The impairment reflects the challenging market and changing dynamics of the 'healthier' grocery market. The related goodwill has been fully impaired and reflected in both the Lightbody of Hamilton and Memory Lane Cakes cash generating units accordingly. The impairment is shown as a significant non-recurring item within administrative expenses.

Sensitivity analyses have been carried out by the Directors on the carrying value of all remaining goodwill using discount rates ranging between 8.6% and 15.0% which would not result in an impairment of any cash generating units. Management believe any increase in discount rates above 15% to be remote.

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

	2016 £000	2015 £000
Nicholas & Harris	**2,980**	2,980
Lightbody of Hamilton	**45,698**	48,474
Memory Lane Cakes	**-**	1,514
Fletchers Bakery	**20,118**	18,364
Johnstone's Foodservice	**372**	372
	69,168	71,704

Notes to the Consolidated Financial Statements

13. Property, Plant and Equipment

	Land and buildings £000	Plant and equipment £000	Fixtures & fittings £000	Assets under construction £000	Total £000
Cost					
Balance at 29 June 2014	10,940	26,125	2,301	723	40,089
Exchange adjustments	-	-	(16)	-	(16)
Assets acquired with subsidiary	4,592	40,742	-	-	45,334
Additions	11	6,592	446	305	7,354
Transfers	(261)	-	261	-	-
Disposals	(22)	(316)	(139)	-	(477)
Balance at 27 June 2015	**15,260**	**73,143**	**2,853**	**1,028**	**92,284**
Balance at 28 June 2015	15,260	73,143	2,853	1,028	92,284
Exchange adjustments	-	-	39	-	39
Additions	76	7,162	756	3,601	11,595
Transfers	-	1,028	-	(1,028)	-
Disposals	-	(265)	(49)	-	(314)
Balance at 2 July 2016	**15,336**	**81,068**	**3,599**	**3,601**	**103,604**
Depreciation and impairment					
Balance at 29 June 2014	(3,339)	(13,413)	(1,796)	-	(18,548)
Exchange adjustments	-	-	9	-	9
Assets acquired with subsidiary	(1,092)	(21,659)	-	-	(22,751)
Depreciation charge for the financial period	(333)	(4,801)	(299)	-	(5,433)
Disposals	22	316	139	-	477
Balance at 27 June 2015	**(4,742)**	**(39,557)**	**(1,947)**	**-**	**(46,246)**
Balance at 28 June 2015	(4,742)	(39,557)	(1,947)	-	(46,246)
Exchange adjustments	-	-	(27)	-	(27)
Depreciation charge for the financial period	(422)	(6,289)	(379)	-	(7,090)
Disposals	-	211	49	-	260
Balance at 2 July 2016	**(5,164)**	**(45,635)**	**(2,304)**	**-**	**(53,103)**
Net book value					
At 28 June 2014	7,601	12,712	505	723	21,541
At 27 June 2015	10,518	33,586	906	1,028	46,038
At 2 July 2016	**10,172**	**35,433**	**1,295**	**3,601**	**50,501**

Leased Plant and Equipment

The net book value of assets held under finance lease or hire purchase contracts included above is as follows:

	2016 £000	2015 £000
Plant and equipment	**1,232**	1,502

Security

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

	2016 £000	2015 £000
Non-current		
Investments in equity accounted investees		
At the beginning of the financial year	**225**	225
Share of losses	**(14)**	-
At the end of the financial year	**211**	225
Other financial assets	**28**	28
Current assets – derivatives		
Fair value of foreign exchange contracts	**-**	117
Total of derivatives with positive fair values	**-**	117
Current liabilities – derivatives		
Fair value of interest rate swaps	**(140)**	(359)
Fair value of foreign exchange contracts	**(17)**	-
Total of derivatives with negative fair values	**(157)**	(359)

Investment in Associates

During the previous year the Group purchased 25% of the ordinary share capital of Dr Zak's Ltd for a consideration of £225,000. The cost of investment is deemed to be the fair value. The Group's share of profit or loss of equity accounted Associates after tax is presented in a single line in the Consolidated Statement of Profit and Loss. This is a loss of £14,000 for the current year (2015: £nil).

Interest Rate Swaps at Fair Value

The Group has two interest rate swap arrangements to hedge its risks associated with interest rate fluctuations:

£3.0 million for four years from 22 May 2013 (fixed) at 1.7%
£6.0 million for three years from 2 June 2015 (fixed) at 1.9%

The total coverage at the year end of £9.0 million (2015: £14.0 million) is equivalent to 46% (2015: 66%) of total net bank debt at a weighted average rate of 1.8% (2015: 2.5%).

A credit of £219,000 (2015: credit £28,000) 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.

A £5.0 million swap fixed at 3.6% expired on 1 July 2016, on 7 September 2016 the Group entered into a forward dated swap for £20.0 million for five years from 3 July 2017 (fixed) at 0.455%.

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 charge of £134,000 (2015: credit £181,000) is shown in administrative 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, including £3,000,000 of deferred consideration which was received on 27 February 2015.

	£000
Balance at 29 June 2014	2,895
Unwinding of discount	105
Amount received during the year ended 27 June 2015	(3,000)
Balance at 27 June 2015	**-**

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 £1,187,000 (2015: £1,191,000).

Defined Benefit Scheme

The Group's defined benefit scheme is the Memory Lane Cakes Pension Scheme, which is a separately administered plan. At the financial year end, the scheme had no active members accruing benefits (2015: nil), 206 deferred pensioner members (2015: 217) and 215 pensioner members (2015: 209).

The scheme was closed to future accrual on 31 May 2010. The assets of the scheme are held separately from those of the Company. The amounts in the Financial Statements for the 53 weeks ended 2 July 2016 relating to defined benefit pension are based on a full actuarial valuation dated 31 December 2015, which was updated at the end of the Scheme's financial year 2016.

A £117,000 contribution was paid during the financial year 2016 by Memory Lane Cakes (2015: £100,000). The Group's contribution has been agreed based on the outcome of the full actuarial valuation dated 31 December 2012 and 31 December 2015. The valuation of the Scheme on an equity/bond basis and projected unit method, showed that there was a deficit at 31 December 2015 of £2,505,000 equivalent to an 11% deficit of liabilities over assets. The valuation was conducted by a qualified independent actuary. This deficit is payable at a rate of £200,000 per annum until September 2020, and £100,000 thereafter until September 2023. The next full valuation is due by 31 December 2018, 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.

Approximately 90% of the assets are held in two diversified growth funds which target 6 month LIBOR +5% and CPI +5% respectively. The scheme's assets are expected to provide real returns over the long-term. 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 £6,463,000 (2015: £3,837,000). 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.

	2016 £000	2015 £000
Fair value of plan assets	**19,287**	20,587
Present value of defined benefit obligations	**(25,750)**	(24,424)
Deficit recognised	**(6,463)**	(3,837)

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

	2016 £000	2015 £000
Equities/target return fund	**17,291**	18,580
Property	**1,868**	1,939
Cash	**128**	68
Fair value of plan assets	**19,827**	20,587
Actual return on plan assets	**(661)**	1,491

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

16. Pension Schemes (continued)

	2016 £000	2015 £000
Movements in present value of defined benefit obligation		
At beginning of financial year	**(24,424)**	(23,371)
Interest on plan obligations	**(938)**	(989)
Benefits paid	**756**	745
Remeasurement – experience gain on liabilities	**236**	-
Remeasurement – loss from changes to financial assumptions	**(1,786)**	(790)
Remeasurement – gain from changes to demographic assumptions	**406**	(19)
At end of financial year	**(25,750)**	(24,424)
Movements in fair value of plan assets		
At beginning of financial year	**20,587**	19,741
Interest on plan assets	**790**	835
Return on plan assets less interest	**(1,451)**	656
Benefits paid	**(756)**	(745)
Contributions by employer	**117**	100
At end of financial year	**19,287**	20,587

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

(Expense)/Income Recognised in the Consolidated Statement of Profit and Loss

	2016 £000	2015 £000
Interest on plan assets/finance income	**790**	835
Interest on plan obligations/finance expense	**(938)**	(989)
Total (expense)/income	**(148)**	(154)

Remeasurement Gains and Losses recognised directly in equity in the Statement of Comprehensive Income and Expense since 1 July 2006, the transition date to Adopted IFRS

	2016 £000	2015 £000
Cumulative amount at beginning of financial year	**(6,005)**	(5,852)
Recognised in the financial year – return on plan assets less interest	**(1,451)**	656
Recognised in the financial year – experience losses/(gains) on liabilities	**236**	-
Recognised in the financial year – loss from changes to financial assumptions	**(1,786)**	(790)
Recognised in the financial year – gains/(losses) from changes to demographic assumptions	**406**	(19)
Cumulative amount at end of financial year	**(8,600)**	(6,005)

Principal Long-term Actuarial Assumptions at the Year End

	2016 %	2015 %
CPI price inflation assumption	**2.0**	2.3
Increases to pensions in payment	**2.0**	2.3
Discount rate for liabilities	**3.2**	3.9
Rate of return for plan assets	**3.2**	3.9

The differential between the assumed rate of inflation and the discount rate for liabilities is 1.2% (2015: 1.6%).

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.

16. Pension Schemes (continued)

The financial assumptions are based on market conditions as at the review date of 2 July 2016 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 rate of return for plan assets is the long-term rate that reflects the yield on high quality corporate bonds as required under changes to IAS 19. The rate of return is effectively based on the discount rate with no allowance made for any outperformance expected from the scheme's actual asset holding. The actual return on the scheme's assets, net of expenses, over the year to the review date was around -3.3% (2015: 7.7%), the negative return occurred in the second half of the year and was impacted by the uncertainty and volatility around the time of the EU referendum vote.

	2016	2015
Pre-retirement mortality assumption	**S2NA year of birth tables with CMI 2015 projections and 1.25% pa long-term rate of improvement**	S1NA year of birth tables with CMI 2012 projections and 1.25% pa long-term rate of improvement
Post-retirement mortality assumption	**S2NA year of birth tables with CMI 2015 projections and 1.25% pa long-term rate of improvement**	S1NA 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:

	2016	2015
Male currently at age 45	**24.1**	24.3
Female currently at age 45	**26.4**	27.0
Male currently at age 65	**22.4**	22.5
Female currently at age 65	**24.5**	25.0

Changing the year end 2016 assumptions to those of 2015 year end listed above, the deficit would have been £5,083,000 compared to the reported deficit of £6,463,000.

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 in liabilities.

	2016
Discount rate plus 0.5%	(£2.2 million)
Discount rate minus 0.5%	£2.5 million
Inflation plus 0.5%	£2.5 million
Inflation minus 0.5%	(£2.2 million)
Life expectancy plus 1.0 years	£0.5 million
Life expectancy minus 1.0 years	(£0.5 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 18 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.

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 2018. 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 total cash cost to the Company for the current financial year is £481,000, this includes deficit recovery contributions, pension protection fund levy fees and cost of advisors. The Company expects to pay deficit recovery contributions of £200,000 in the year to 30 June 2017. The projected net interest charge to the Consolidated Statement of Profit and Loss for the year to 30 June 2017 is £204,000. 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.

16. Pension Schemes (continued)

Consolidated Statement of Financial Position

	2016 £000	2015 £000	2014 £000	2013 £000	2012 £000
Fair value of plan assets	**19,287**	20,587	19,741	18,728	18,349
Present value of the defined benefit obligation	**(25,750)**	(24,424)	(23,371)	(21,571)	(21,424)
Deficit	**(6,463)**	(3,837)	(3,630)	(2,843)	(3,075)
Experience adjustments on plan assets	**(1,451)**	656	927	332	(1,772)
as a percentage of plan assets	**7.5%**	3.2%	4.7%	1.8%	9.7%
Experience adjustments on plan liabilities	**236**	-	-	339	-
as a percentage of plan liabilities	**0.9%**	0.0%	0.0%	1.6%	0.0%
Total remeasurement (losses)/gains	**(2,595)**	(153)	(726)	(543)	(2,357)
as a percentage of plan liabilities	**10.0%**	0.6%	3.1%	2.5%	11.0%

17. Inventories

	2016 £000	2015 £000
Raw materials and consumables	**7,018**	5,872
Finished goods	**5,559**	5,396
	12,577	11,268

Inventories Recognised as an Expense

	2016 £000	2015 £000
Opening inventories	**11,268**	4,530
Purchases	**135,441**	90,839
(Decrease)/increase in stock provisions	**(199)**	443
Closing inventories	**(12,577)**	(11,268)
Expensed during the period	**133,933**	84,544

18. Trade and Other Receivables

	2016 £000	2015 £000
Trade receivables due from third parties	**44,900**	42,845
Other debtors	**3,532**	2,888
Prepayments and accrued income	**1,900**	2,648
	50,332	48,381

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 £10,824,000 (2015: £3,397,000) 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

	2016 £000	2015 £000
Cash at bank and on hand	**10,511**	6,147
Bank overdraft	**(7,487)**	(6,086)
	3,024	61

Notes to the Consolidated Financial Statements

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.

2016	Margin	Frequency of repayments	Year of maturity	Facility £000	Drawn £000	Current £000	Non-current £000
Invoice discounting	1.50%/base	On demand	Revolving*	22,000	10,824	10,824	-
Term loan	2.00%/LIBOR	Quarterly	2019	13,400	8,905	2,568	6,337
Revolving credit	2.00%/LIBOR	Varies	2019	8,000	-	-	-
Mortgage	1.75%/LIBOR	Quarterly	2022	3,470	2,826	369	2,457
Finance lease liabilities	1.76%/base	Monthly	Various	2,000	190	133	57
Overdraft	2.00%/base	On demand	-	2,000	-	-	-
				50,870	22,745	13,894	8,851
Unamortised transaction costs					(176)	(65)	(111)
					22,569	**13,829**	**8,740**

Secured bank loans and mortgages over one year	8,851
Unamortised transaction costs	(111)
	8,740
Repayments are as follows:	
Between one and two years	2,940
Between two and five years	4,817
Between five and ten years	983
	8,740

2015	Margin	Frequency of repayments	Year of maturity	Facility £000	Drawn £000	Current £000	Non-current £000
Invoice discounting	1.50%/base	On demand	Revolving*	22,000	3,397	3,397	-
Term loan	2.00%/LIBOR	Quarterly	2019	13,400	12,116	3,211	8,905
Revolving credit	2.00%/LIBOR	Varies	2019	8,000	2,000	2,000	-
Mortgage	1.75%/LIBOR	Quarterly	2022	3,470	3,287	461	2,826
Finance lease liabilities	1.76%/base	Monthly	Various	2,000	474	284	190
Overdraft	2.00%/base	On demand	-	2,000	-	-	-
				50,870	21,274	9,353	11,921
Unamortised transaction costs					(240)	(65)	(175)
					21,034	**9,288**	**11,746**

Secured bank loans and mortgages over one year (included above)	11,921
Unamortised transaction costs	(175)
	11,746
Repayments are as follows:	
Between one and two years	3,006
Between two and five years	7,389
Between five and ten years	1,351
	11,746

* 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 October 2019.

Finance lease liabilities are payable as follows:

	2016			2015		
	Minimum lease payments £000	Interest £000	Principal £000	Minimum lease payments £000	Interest £000	Principal £000
Less than one year	**136**	**3**	**133**	294	10	284
Between one and five years	**58**	**1**	**57**	194	4	190
	194	**4**	**190**	488	14	474

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.

20. Other Interest-bearing Loans and Borrowings (continued)

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
Capital expenditure

The bank facilities (excluding overdraft) available for drawdown are £48.9 million (2015: £48.9 million). At the period end date the facility utilised was £22.7 million (2015: £21.3 million), giving £26.2 million (2015: £27.6 million) headroom.

21. Analysis of Net Debt

	Note	At year ended 27 June 2015 £000	Cash flow £000	**At year ended 2 July 2016 £000**
Cash at bank		61	2,963	**3,024**
Debt due within one year		(5,672)	2,735	**(2,937)**
Debt due after one year		(11,731)	2,937	**(8,794)**
Invoice discounting due within one year		(3,397)	(7,427)	**(10,824)**
Hire purchase obligations due within one year		(284)	151	**(133)**
Hire purchase obligations due after one year		(190)	133	**(57)**
Total net bank debt		(21,213)	1,492	**(19,721)**
Debt	20	(21,034)	-	**(22,569)**
Cash at bank	19	61	-	**3,024**
Unamortised transaction costs		(240)	-	**(176)**
Total net bank debt		(21,213)	-	**(19,721)**
Deferred consideration payable		(50)	-	**-**
Total net debt including deferred consideration payable		(21,263)	-	**(19,721)**
Cash at bank		61	-	**3,024**
Total debt including deferred consideration payable excluding cash		(21,324)	-	**(22,745)**

22. Trade and Other Payables

	2016 £000	2015 £000
Current		
Trade creditors	**38,049**	37,457
Other creditors including taxes and social security	**1,947**	1,718
Accruals and deferred income	**24,361**	23,108
	64,357	62,283

23. Provisions

	Employee claims £000	**Pension £000**	**Total £000**
Balance at beginning of financial year	234	179	413
Utilised during the financial year	(5)	(20)	(25)
Balance at end of financial year	**229**	**159**	**388**
Current provisions	229	18	247
Non-current provisions	-	141	141

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 14 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	
	2016 £000	2015 £000	**2016 £000**	2015 £000
Intangibles	**-**	-	**(1,409)**	-
Property, plant and equipment	**-**	-	**(138)**	(41)
Foreign exchange contracts	**3**	-	**-**	(23)
Short-term temporary differences	**37**	-	**-**	(39)
Interest rate swaps	**25**	72	**-**	-
Pension scheme charges	**1,163**	767	**-**	-
Employee share scheme charges	**202**	758	**-**	-
Losses acquired	**2,062**	2,849	**-**	-
Tax assets/(liabilities)	**3,492**	4,446	**(1,547)**	(103)
Net tax assets/(liabilities)	**1,945**	4,343	**-**	-

Short-term temporary differences relate to general provisions which will be allowed when utilised. The deferred tax asset recognised for losses relate to acquired businesses, based on current and forecast levels of profitability, the losses are expected to be utilised within 3 years.

Movement in Deferred Tax during the Year

	27 June 2015 £000	Recognised in income £000	Recognised in equity £000	Recognition of deferred tax on intangible assets* £000	**2 July 2016 £000**
Intangibles	-	345	-	(1,754)	**(1,409)**
Property, plant and equipment	(41)	(97)	-	-	**(138)**
Foreign exchange contracts	(23)	26	-	-	**3**
Short-term temporary differences	(39)	76	-	-	**37**
Interest rate swaps	72	(47)	-	-	**25**
Pension scheme	767	6	390	-	**1,163**
Employee share scheme	758	19	(575)	-	**202**
Losses acquired	2,849	(787)	-	-	**2,062**
	4,343	(459)	(185)	(1,754)	**1,945**

*A deferred tax liability in respect of the intangible assets recognised as part of the prior year acquisition has been updated and reflected in the current year Financial Statements, resulting in an increase in the deferred tax liability of £1,754,000 and a corresponding increase in goodwill. The deferred tax liability will unwind in line with the amortisation of the intangible assets (see Notes 9 and 24 for the details of the tax impact).

Movement in Deferred Tax during the Prior Year

	28 June 2014 £000	Recognised in income £000	Recognised in equity £000	Acquired £000	27 June 2015 £000
Property, plant and equipment	(318)	(215)	-	492	(41)
Foreign exchange contracts	13	(36)	-	-	(23)
Short-term temporary differences	(104)	(171)	-	236	(39)
Interest rate swaps	77	(5)	-	-	72
Pension scheme	726	10	31	-	767
Employee share scheme	513	2	243	-	758
Losses acquired	-	(326)	-	3,175	2,849
IFRS fair value adjustments deferred consideration	21	(21)	-	-	-
	928	(762)	274	3,903	4,343

25. Financial Risk Management

The main purpose of the Group's financial instruments is to finance the Group's operations. The financial instruments 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. The main risks arising from the Group's financial instruments are interest rate risk and liquidity risk. The Group's policies on the management of liquidity, credit, interest rate and foreign currency risks are set out below and also referred to in the Strategic Report on pages 8 to 21.

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.

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 2 July 2016.

			Contractual cashflows including estimated interest			
At year ended 2 July 2016	**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	**(11,555)**	(12,401)	(3,202)	(3,128)	(5,063)	(1,008)
Finance lease liabilities	**(190)**	(194)	(136)	(58)	-	-
Invoice discounting	**(10,824)**	(10,824)	(10,824)	-	-	-
Trade creditors	**(38,049)**	(38,049)	(38,049)	-	-	-
Derivative financial liabilities						
Interest rate swaps liabilities	**(140)**	(108)	(108)	-	-	-
	(60,758)	(61,576)	(52,319)	(3,186)	(5,063)	(1,008)

			Contractual cashflows including estimated interest			
At year ended 27 June 2015	**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	**(17,163)**	(18,412)	(6,026)	(3,198)	(7,785)	(1,403)
Finance lease liabilities	**(474)**	(488)	(293)	(137)	(58)	-
Invoice discounting	**(3,397)**	(3,397)	(3,397)	-	-	-
Deferred consideration	**(50)**	(50)	(50)	-	-	-
Trade creditors	**(37,457)**	(37,457)	(37,457)	-	-	-
Derivative financial liabilities						
Interest rate swaps liabilities	**(359)**	(377)	(270)	(107)	-	-
	(58,900)	(60,181)	(47,493)	(3,442)	(7,843)	(1,403)

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.

25. Financial Risk Management (continued)

c) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. 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 69% 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 £44.9 million (2015: £42.8 million) and the ageing of trade receivables at the period end date was:

	2016 £000	2015 £000
Not past due	**42,709**	39,445
Past due 0-30 days	**1,779**	2,263
Past due 31-120 days	**391**	1,097
Past due more than 120 days	**21**	40
	44,900	42,845

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.

The Group's strategy is to focus on supplying UK multiple grocers and foodservice distributors, the nature of these customers is such that there is a relatively low risk of them failing to meet their contractual obligations. There is no impairment necessary to the value of trade receivables at the period end date over and above the specific credit note provision and bad debt provision held at the year end. The balance of £0.4 million past due by more than 30 days is equivalent to less than 1 day sales (2015: £1.1 million, equivalent to 2 days).

Deferred consideration amounting to £3 million was received from Genius Foods Ltd on 27 February 2015.

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:

	2016 £000	2015 £000
Variable rate liabilities	**22,745**	21,274

Swaps amounting to £9,000,000 (2015: £14,000,000) limit the risk associated with the variable rate liabilities, the weighted average interest rate at 2 July 2016 is 1.8% (2015: 2.5%).

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.

	2016 £000	2015 £000
Profit decrease	**345**	318
Decrease in net assets	**345**	318

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 net foreign exchange exposure.

25. Financial Risk Management (continued)

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. An interim dividend for the six months to 26 December 2015 of 0.93p per share was paid on 22 April 2016 to shareholders on the register at the close of business on 1 April 2016. Subject to shareholder approval at the Company's AGM on 23 November 2016, the final dividend of 1.87 pence per share will be paid on 16 December 2016 to all shareholders on the register at 18 November 2016. 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.

The Group manages its capital by monitoring its gearing ratio on a regular basis, there are also covenant tests which are monitored regularly and presented to the Group's banks every 6 months. There have been no breaches of covenant tests during the year and the gearing ratio stands at 0.2 (2015: 0.2). 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 on page 70.

Equity comprises the following:

- Share capital representing the nominal value of equity shares
- Share premium representing the excess of the fair value of consideration received for the equity shares; (net of expenses of the share issue) over nominal value of the equity shares
- Capital redemption reserve representing the buyback and cancellation of shares at nominal value
- Employee share reserve representing ordinary shares held in an employee benefit trust (EBT) to satisfy awards made to employees
- Retained earnings representing retained profits

27. Share Capital

	2016 000's	2015 000's
In issue at beginning of the financial year	**128,037**	66,894
Shares issued	**2,346**	61,143
In issue at end of the financial year – fully paid	**130,383**	128,037

	£000	£000
Allotted, called up and fully paid		
Ordinary shares of 1p each	**1,304**	1,280

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. During the year 28,300 shares were issued at 14 pence per share and 2,317,824 shares were issued at 1 pence per share. Shares are held in an Employee Benefit Trust, 3,593,641 shares were held at the year end, they are intended to be used to satisfy awards made to employees.

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 2 July 2016 with further details given below.

Date of grant	Number of options granted	Number of options expected to vest	Exercise price	Fair value £000	**Amount expensed in year to 2 July 2016 £000**	Period of expense
4 December 2015	1,200,146	972,118	Nil	947	**195**	3 years
4 December 2015	423,980	343,424	Nil	383	**79**	3 years
Charge relating to options granted in the current year					**274**	
Charge relating to options granted in prior years					**465**	
Charge included in Administrative expenses					**739**	

27. Share Capital (continued)

There were a number of options granted during the course of the financial year to 27 June 2015 with further details given below.

Date of grant	Number of options granted	Number of options expected to vest	Exercise price	Fair value £000	Amount expensed in year to 27 June 2015 £000	Period of expense
3 July 2014	155,172	155,172	54.8p	13	4	3 years
26 June 2015	1,859,115	680,436	Nil	135	-	4 years
Charge relating to options granted in the current year					4	
Credit relating to options granted in prior years					(14)	
Credit included in Administrative expenses					**(10)**	

Details of share options outstanding at 2 July 2016 and movements during the year by exercise price is shown below:

Exercise price	First exercise date	Last exercise date	At 27 June 2015	Granted	Forfeited	Cancelled	Exercised	At 2 July 2016
58.0p	May 2017	May 2024	302,758	-	-	-	-	**302,758**
54.8p	Jul 2017	Jul 2024	155,172	-	-	-	-	**155,172**
20.5p	Jul 2014	Oct 2016	2,753,659	-	-	(2,753,659)	-	**-**
20.5p	Jul 2014	Oct 2016	2,500,000	-	-	(2,500,000)	-	**-**
20.0p	Feb 2015	Aug 2015	39,240	-	(39,240)	-	-	**-**
14.0p	Mar 2012	Mar 2019	28,300	-	-	-	(28,300)	**-**
Nil	Sep 2018	Dec 2025	-	423,980	-	-	-	**423,980**
Nil	Jul 2019	Jun 2025	1,859,115	-	-	-	-	**1,859,115**
Nil	Jul 2020	Dec 2025	-	1,200,146	-	-	-	**1,200,146**
			7,638,244	1,624,126	(39,240)	(5,253,659)	(28,300)	**3,941,171**

A summary of share options outstanding and movements for the year to 27 June 2015 is shown below:

	At 28 June 2014	Granted	Forfeited	Cancelled	Exercised	At 27 June 2015
Number of options	7,054,926	2,014,287	(61,460)	(20,340)	(1,349,169)	7,638,244

There were no options exercisable at the period end date (2015: 5,321,199). There were 28,300 options exercised during the year (2015: 1,349,169). The share price at date of exercise was 111.0 pence per share.

The options outstanding at the year end have weighted average exercise price of 6.6p (2015: 27.1p) and a weighted average contractual life of 5.9 years (2015: 5.5 years).

The Company uses a Monte Carlo model for the valuation of the award subject to relative performance to the TSR of AIM listed companies. An external consultant assists with the valuation of the awards.

The key inputs into the Monte Carlo model are as follows:

	2016	2015
Expected life of option	**3.0 years**	3.0 years
Volatility of share price	**29%**	30%
Dividend yield	**1.9%**	2.3%
Risk-free discount rate	**0.80%**	0.90%
Share price at grant date	**110.6p**	83.5p
Exercise price	**Nil**	Nil
Performance period	**3 years**	3 years
Post-vesting holding period	**0-2 years**	2 years
Employee turnover	**Zero**	Zero

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:

	2016	2015
Expected life of option	**3.0 years**	3.0-4.0 years
Volatility of share price	**30%**	33.1%-28.9%
Dividend yield	**2.3%**	1.3%-3.0%
Risk-free interest rate	**0.90%**	1.18%-1.29%
Share price at date of grant	**110.6p**	54.8p-83.5p
Exercise price	**Nil**	54.8p-59.0p
Bid price discount	**10%**	10%
Estimated conversion rate	**100%**	100%
Fair value per option	**73.4p-89.7p**	8.4p-19.9p

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

An interim dividend for the six months to 26 December 2015 of 0.93p per share was paid on 22 April 2016 to shareholders on the register at the close of business on 1 April 2016. The amount paid was £1,179,144. A final dividend of 1.87p per share has been proposed taking the total dividend for the year to 2.80p per share. Subject to shareholder approval at the Company's AGM on 23 November 2016, the final dividend will be paid on 16 December 2016 to shareholders on the register at 18 November 2016.

During the year a dividend of £336,000 (2015: £362,000) was paid to the holders of 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, Fletchers' sites in London and Manchester and Johnstone's site in East Kilbride.

During the year £2,687,000 was recognised as an expense in the Consolidated Statement of Profit and Loss in respect of operating leases (2015: £2,131,000).

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

	Land and Buildings		Other	
	2016 £000	2015 £000	2016 £000	2015 £000
On leases which expire in:				
Less than one year	**60**	51	**724**	234
Between one and five years	**677**	770	**895**	1,168
More than five years	**11,905**	11,427	**29**	47
	12,642	12,248	**1,648**	1,449

30. Capital Commitments

At the financial year ended 2 July 2016, the Group had capital expenditure commitments of £1,232,000 (2015: £1,266,000).

31. Related Parties

Related Party Transactions and Directors' Material Interests in Transactions

Mr E Beale is the Chief Executive of City Group Plc. During the year City Group provided Company Secretarial and ancillary services to the Group up until 31 December 2015. Fees for these services amounted to £19,380 including VAT (2015: £38,544). In addition Directors' fees of £45,000 for Mr E Beale (2015: £45,000) have been paid to City Group. Directors' fees for Mr E Beale are ceded to his primary employer.

A 50% owned subsidiary, Lightbody Stretz Ltd, paid Mr P Stretz, the Managing Director of Lightbody Stretz Ltd, £58,000 (2015: £58,000) in respect of rent for offices. No balances were outstanding at either year end.

The Group paid £81,000 (2015: £97,000) for the supply of finished products from and received £83,000 (2015: £100,000) for the sale of finished products to Party Fizz, a company 50% owned by Mr P Stretz. The amount payable and receivable at the year end was £24,000 (2015: £23,000) and £18,000 (2015: £9,000) respectively.

The Group sold finished product to Dr Zak's for a value of £269,000 during the year (2015: £27,000), the amount receivable at the year end was £78,000 (2015: £27,000).

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 3% (2015: 3%) of the voting shares of the Company.

The aggregate compensation of key management personnel (Main Board Executive Directors, Divisional MDs, and Executive Committee) is as follows:

	2016 £000	2015 £000
Company contributions to money purchase pension schemes	**61**	42
Executive salaries and benefits	**1,498**	1,291
Executive bonuses	**1,049**	1,118
	2,608	2,451

Share options held by Group Directors are set out in Note 7. Details of share options outstanding at 2 July 2016 for other key management personnel by exercise price is shown in the table below.

Exercise price	**Number of options at 2 July 2016**	Number of options at 27 June 2015	Earliest exercise date	Exercise expiry date
Nil	**250,505**	-	30/09/2018	04/12/2025
54.75p	**51,724**	51,724	03/07/2017	03/07/2024
58.00p	**155,172**	155,172	16/05/2017	16/05/2024
	457,401	206,896		

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 2 July 2016 and 27 June 2015

	Note	2016 £000	2015 £000
Non-current assets			
Investments	41	**100,676**	100,629
Deferred taxation	42	**227**	841
		100,903	101,470
Current assets			
Debtors	43	**27,790**	22,815
Other financial assets – fair value foreign exchange contracts	44	**495**	-
Cash and cash equivalents		**3,621**	2,498
		31,906	25,313
Creditors: amounts falling due within one year	45	**(10,098)**	(14,851)
Net current assets		**21,808**	10,462
Total assets less current liabilities		**122,711**	111,932
Creditors: amounts falling due after more than one year	42&46	**(8,772)**	(11,556)
Net assets		**113,939**	100,376
Capital and reserves			
Called up share capital	48	**1,304**	1,280
Share premium account	48	**64,956**	64,952
Capital redemption reserve	48	**578**	578
Employee share reserve		**(3,920)**	-
Profit and loss account	49	**51,021**	33,566
Shareholders' funds		**113,939**	100,376

These Financial Statements were approved by the Board of Directors on 16 September 2016 and were signed on its behalf by:

Stephen Boyd
Director

Registration number: 00204368

The Notes on pages 71 to 78 form an integral part of these Financial Statements.

Company Statement of Changes in Equity

for the 53 weeks ended 2 July 2016 and 52 weeks ended 27 June 2015

	Note	Share capital £000	Share premium £000	Capital redemption reserve £000	Employee share reserve £000	Retained earnings £000	Total equity £000
Balance at 29 June 2014		669	31,480	578	-	31,608	64,335
Loss for the financial year		-	-	-	-	(748)	(748)
Total comprehensive loss for the period		**-**	**-**	**-**	**-**	**(748)**	**(748)**
Transactions with owners, recorded directly in equity:							
Shares issued during the year	27	611	33,472	-	-	-	34,083
Impact of share based payments	27	-	-	-	-	(10)	(10)
Impact of share based payments credit to subsidiaries		-	-	-	-	(29)	(29)
Deferred tax on share options		-	-	-	-	242	242
Dividend received		-	-	-	-	4,062	4,062
Dividend paid	28	-	-	-	-	(1,559)	(1,559)
Balance at 27 June 2015		**1,280**	**64,952**	**578**	**-**	**33,566**	**100,376**
Balance at 28 June 2015		1,280	64,952	578	-	33,566	100,376
Loss for the financial year		-	-	-	-	(658)	(658)
Total comprehensive loss for the period		**-**	**-**	**-**	**-**	**(658)**	**(658)**
Transactions with owners, recorded directly in equity:							
Own shares acquired		-	-	-	(3,920)	-	(3,920)
Shares issued during the year	27	24	4	-	-	(23)	5
Impact of share based payments credit to subsidiaries		-	-	-	-	(11)	(11)
Impact of share based payments	27	-	-	-	-	306	306
Deferred tax on share options		-	-	-	-	(575)	(575)
Dividend received		-	-	-	-	21,721	21,721
Dividend paid	28	-	-	-	-	(3,305)	(3,305)
Balance at 2 July 2016		**1,304**	**64,956**	**578**	**(3,920)**	**51,021**	**113,939**

The Notes on pages 71 to 78 form an integral part of these Financial Statements.

Notes to the Company's Financial Statements
(forming part of the Financial Statements)

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 53 weeks ended 2 July 2016 (prior financial year 52 weeks ended 27 June 2015).

These Financial Statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101")*.

In preparing these Financial Statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next Financial Statements.

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position is provided in Note 53.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own Profit and Loss Account. The profit or loss for the year is set out in the Statement of Changes in Equity.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under the standard in relation to the following disclosures;

- Presentation of a Cash Flow Statement and related notes
- Capital management
- Comparative period reconciliations for share capital and tangible fixed assets
- Impairment of assets
- Transactions with wholly owned subsidiaries
- The effects of new but not yet effective IFRSs

As the consolidated Financial Statements of Finsbury Food Group Plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share Based Payments* in respect of group settled share based payments
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures

Where required equivalent disclosures are given in the Group accounts of Finsbury Food Group Plc, which are available within this Report.

The Financial Statements are prepared on the historical cost basis except where stated at their fair value. The principal accounting policies of the Company are as follows:

Investments
Investments are stated at cost less provision for any permanent impairment. Any impairment is charged to the profit and loss as it arises.

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

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the Consolidated Statement of 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 Sterling, at foreign exchange rates ruling at the period end date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. This revaluation is recognised through Other Comprehensive Income.

Derivative Financial Instruments
The Company has derivative financial instruments in respect of interest rate swaps and foreign exchange hedges. The Company does not hold derivative financial instruments for trading purposes. The existing interest rate swaps and foreign exchange hedges used by the Company while they function as hedges, do not meet the criteria for hedge accounting set out by IAS 39, and have thus been treated as financial assets and liabilities which are carried at their fair value in the Company Balance Sheet. Fair value is deemed to be market value, which is provided by the counterparty at the year end date.

Changes in the market value of interest rate swaps have been recognised through the Consolidated Statement of 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.

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.

Notes to the Company's Financial Statements

34. Accounting Policies (continued)

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

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

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

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

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

Taxation
The credit for taxation is based on the loss for the year and takes into account taxation deferred because of temporary differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all temporary differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date.

Going Concern
After making enquiries and on the basis of current financial projections and available funds and facilities, the Directors are satisfied that the Company has adequate resources to continue in operation for the next 12 months and, therefore, consider it appropriate to prepare the Financial Statements on the going concern basis.

Shares held by Employee Share Trusts
Shares held to satisfy options are accounted for in accordance with IAS 32 'Financial Instruments'. All differences between the purchase price of the shares held to satisfy options granted and the proceeds received for the shares, whether on exercise or lapse, are charged to reserves.

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	
	2016	2015
Directors and administrative staff	**37**	35

The aggregate payroll costs of these persons were as follows:

	2016 £000	2015 £000
Wages and salaries	**3,330**	2,790
Social security costs	**463**	399
Other pension costs	**142**	105
	3,935	3,294

37. Share Based Payments

Details of Directors share options are set out in Note 7 of the Group's Financial Statements. As set out in Note 27 to the Group Financial Statements, 194,404 (2015: 51,724) of the total 423,980 (2015: 155,172) 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 £248,000 (2015: £1,000). 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 charge totalled £47,000 (2015: credit £42,000) and has resulted in an increase (2015: reduction) in the total cost of investments in the Company balance sheet.

38. Finance Income and Cost

Recognised in the Company Statement of Profit and Loss

	2016 £000	2015 £000
Finance income		
Change in fair value of interest rate swaps	**219**	28
Bank interest receivable	**2**	1
Total finance income	**221**	29
Finance cost		
Bank interest payable	**(408)**	(340)
Interest on interest rate swap agreements	**(273)**	(276)
Total finance cost	**(681)**	(616)
Net finance cost	**(460)**	(587)

39. Dividends

On 9 December 2015 a final dividend of 1.67p per share was paid to shareholders on the register at the close of business on 13 November 2015, the amount paid was £2,125,476. An interim dividend for the six months to 26 December 2015 of 0.93p per share was paid on 22 April 2016 to shareholders on the register at the close of business on 1 April 2016. The amount paid was £1,179,144.

A final dividend of 1.87p per share has been proposed taking the total dividend to 2.80p per share. Subject to shareholder approval at the Company's AGM on 23 November 2016, the final dividend will be paid on 16 December 2016 to all shareholders on the register at 18 November 2016.

40. Investment in Subsidiaries and Equity Accounted Investees

Set out below are all undertakings of the Company whose results are included in the Consolidated Financial Statements for the period ended 2 July 2016.

Subsidiary	Direct/Indirect ownership	Country of incorporation	Class of shares held	Ownership 2016	Ownership 2015
Anthony Alan Foods Ltd	Direct	England and Wales	Ordinary £1	**100%**	100%
California Cake Company Ltd	Indirect	Scotland	Ordinary £1	**100%**	100%
California Cake Company (Holdings) Ltd	Direct	Scotland	Ordinary £1	**100%**	100%
Campbells Cake Company Ltd	Indirect	Scotland	Ordinary £1	**100%**	100%
Campbells Cake (Holdings) Ltd	Direct	Scotland	Ordinary £1	**100%**	100%
Dr Zak's Ltd	Indirect	England and Wales	Ordinary £1	**25%**	25%
Fennel Acquisition Ltd	Direct	England and Wales	Ordinary £1	**100%**	100%
Fletchers Bakeries Ltd	Indirect	England and Wales	Ordinary £1	**100%**	100%
Fletchers Bakeries Investment Ltd	Indirect	England and Wales	Ordinary £1	**100%**	100%
Goswell Enterprises Ltd	Indirect	England and Wales	Ordinary £1	**100%**	100%
Goswell Marketing Ltd	Indirect	England and Wales	Ordinary £1	**100%**	100%
Johnstone's Foodservice Ltd	Indirect	Scotland	Ordinary £1	**100%**	100%
Lightbody Celebration Cakes Ltd	Indirect	Scotland	Ordinary £1	**100%**	100%
Lightbody Group Ltd	Direct	Scotland	Ordinary £1	**100%**	100%
Lightbody Holdings Ltd	Indirect	Scotland	Ordinary £1	**100%**	100%
Lightbody of Hamilton Ltd	Indirect	Scotland	Ordinary £1	**100%**	100%
Lightbody-Stretz Ltd	Indirect	Scotland	Ordinary £1	**50%**	50%
Lightbody Europe SAS	Indirect	France	Ordinary £1	**50%**	50%
Memory Lane Cakes Ltd	Direct	England and Wales	Ordinary 1p	**100%**	100%
Murray Traders Ltd	Indirect	Scotland	Preference £1	**10.5%**	10.5%
Nicholas & Harris Ltd	Indirect	England and Wales	Ordinary £1	**100%**	100%
Storesurvey Ltd	Direct	England and Wales	Ordinary £1	**100%**	100%

Notes to the Company's Financial Statements

41. Fixed Asset Investments

	£000
Cost	
At beginning of financial year	100,629
Additions	47
At end of financial year	100,676
Net book value	
At 2 July 2016	**100,676**
At 27 June 2015	100,629

The additions relate to share option charge of £47,000 (2015: credit £42,000) passed down to individual subsidiaries.

42. Deferred Tax

Recognised deferred tax assets and liabilities:

	Assets		Liabilities	
	2016 £000	2015 £000	**2016 £000**	2015 £000
Employee share scheme charges	**202**	758	**-**	-
Interest rate swaps	**25**	72	**-**	-
Foreign exchange contracts	**-**	11	**(89)**	-
Tax assets/(liabilities)	**227**	841	**(89)**	-
Net tax assets	**138**	841	**-**	-

The deferred tax asset at 2 July 2016 has been calculated based on the rate of 18% substantively enacted at the balance sheet date. The impact through the profit and loss of reduction from 20% to 18% on the recognised net deferred tax asset is a £45,000 charge.

A further reduction in the UK corporation tax rate to 17% from 1 April 2020 was announced in the Budget on 16 March 2016. This rate will not affect the measurement of deferred tax until it has been substantively enacted.

Movement in Deferred Tax during the Year

	28 June 2015 £000	Recognised in income £000	Recognised in equity £000	**2 July 2016 £000**
Employee share scheme	758	19	(575)	**202**
Interest rate swaps	72	(47)	-	**25**
Foreign exchange contracts	11	(100)	-	**(89)**
	841	(128)	(575)	**138**

Movement in Deferred Tax during the Prior Year

	28 June 2014 £000	Recognised in income £000	Recognised in equity £000	27 June 2015 £000
Employee share scheme	513	2	243	758
Interest rate swaps	77	(5)	-	72
Foreign exchange contracts	41	(30)	-	11
	631	(33)	243	841

43. Debtors

	2016 £000	2015 £000
Amounts owed by Group undertakings	**27,700**	22,065
Other taxation	**15**	15
Prepayments and accrued income	**75**	735
	27,790	22,815

44. 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 £554,000 (2015: credit £153,000) is included in administrative expenses for the periods reflecting changes in their fair value.

45. Creditors: Amounts Falling Due Within One Year

	2016 £000	2015 £000
Bank loan	**2,872**	5,607
Trade creditors	**143**	105
Amounts due to Group undertakings	**33**	42
Other financial liabilities – fair value interest rate swaps	**140**	359
Other financial liabilities – fair value foreign exchange contracts	**-**	59
Other taxes and social security	**114**	96
Accruals and deferred income	**6,796**	8,583
	10,098	14,851

Other Financial Liabilities – Fair Value Interest Rate Swaps

The Group has two interest rate swap arrangements to hedge its risks associated with interest rate fluctuations:

£3.0m for four years from 22 May 2013 (fixed) at 1.7%
£6.0m for three years from 2 June 2015 (fixed) at 1.9%

The total coverage at the year end of £9.0 million (2015: £14.0 million) is equivalent to 78% (2015: 82%) of total net bank debt at a weighted average rate of 1.8% (2015: 2.5%).

A £5.0 million swap fixed at 3.6% expired on 1 July 2016. On 7 September 2016 the Group entered into a forward dated swap for £20.0 million for five years from 3 July 2017 (fixed) at 0.455%.

A credit of £219,000 (2015: credit £28,000) 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.

46. Creditors: Amounts Falling Due After More Than One Year

	2016 £000	2015 £000
Total bank loans and mortgages	**8,683**	11,556
Deferred tax liability	**89**	-
	8,772	11,556

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

47. 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.

2016	Currency	Margin	Above	Frequency of repayments	Year of maturity	Total £000	Current £000	Non-current £000
Term loan	GBP	2.00%	LIBOR	Quarterly	2019	8,905	2,568	6,337
Revolving credit	GBP	2.00%	LIBOR	Quarterly	2019	-	-	-
Mortgage	GBP	1.75%	LIBOR	Monthly	2022	2,826	369	2,457
Unamortised transaction costs						(176)	(65)	(111)
						11,555	2,872	8,683

Repayments are as follows:	
Between one and two years	2,883
Between two and five years	5,185
Between five and ten years	615
Between ten and fifteen years	-
	8,683

2015	Currency	Margin	Above	Frequency of repayments	Year of maturity	Total £000	Current £000	Non-current £000
Term loan	GBP	2.00%	LIBOR	Quarterly	2019	12,116	3,211	8,905
Revolving credit	GBP	2.00%	LIBOR	Quarterly	2019	2,000	2,000	-
Mortgage	GBP	1.75%	LIBOR	Monthly	2022	3,287	461	2,826
Unamortised transaction costs						(240)	(65)	(175)
						17,163	5,607	11,556

Repayments are as follows:	
Between one and two years	2,873
Between two and five years	7,332
Between five and ten years	1,351
Between ten and fifteen years	-
	11,556

48. Called Up Share Capital

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

49. Capital and Reserves

The reconciliation of the movement in capital and reserves is shown as a primary statement in the Company's Financial Statements: Company Statement of Changes in Equity on page 70 with definition details in Note 26 to the consolidated Financial Statements.

50. Contingent Liabilities

The Company has guaranteed the overdrafts of its subsidiaries; there was a net cash position at the year end of £3,024,000 (2015: £61,000).

51. Related Party Disclosures

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

52. Financial Risk Management

The Company's policies on the management of liquidity, credit 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.

53. Explanation of Transition to FRS 101

This is the first year that the Company has presented its Financial Statements under FRS 101. The last Financial Statements were prepared under UK Generally Accepted Accounting Practice (UK GAAP) for the year ended 27 June 2015. The date of transition is 28 June 2014. On transition to FRS101, the Company has applied the requirements of paragraphs 6-33 of IFRS 1 'First time adoption of International Financial Reporting Standards'.

In preparing its FRS 101 balance sheet, the Company has adjusted amounts reported previously in Financial Statements prepared in accordance with its old basis of accounting (UK GAAP). An explanation of how the transition from UK GAAP to FRS 101 has affected the Company's financial position, is set out in the following table and notes that accompany the table.

53. Explanation of Transition to FRS 101 (continued)

Reconciliation of Balance Sheet Movements

	Note	29 June 2014 UK GAAP £000	Effect of transition to FRS 101 £000	FRS 101 £000	27 June 2015 UK GAAP £000	Effect of transition to FRS 101 £000	FRS 101 £000
Fixed assets							
Investments		61,587	-	61,587	100,629	-	100,629
Deferred tax	(i)	362	271	633	365	476	841
		61,949	271	62,220	100,994	476	101,470
Current assets							
Deferred consideration		3,000	-	3,000	-	-	-
Debtors		3,039	-	3,039	22,815	-	22,815
Cash and cash equivalents		3,582	-	3,582	2,498	-	2,498
		9,621	-	9,621	25,313	-	25,313
Creditors: amounts falling due within one year	(ii)	(3,766)	(600)	(4,366)	(14,433)	(418)	(14,851)
Net current assets		5,855	(600)	5,255	10,880	(418)	10,462
Total assets less current liabilities		67,804	(329)	67,475	111,874	58	111,932
Creditors: amounts falling due after more than one year		(3,140)	-	(3,140)	(11,556)	-	(11,556)
Net assets		64,664	(329)	64,335	100,318	58	100,376
Capital and reserves							
Called up share capital		669	-	669	1,280	-	1,280
Share premium account		31,480	-	31,480	64,952	-	64,952
Capital redemption reserve		578	-	578	578	-	578
Retained earnings	(iii)	31,937	(329)	31,608	33,508	58	33,566
Shareholders' funds		64,664	(329)	64,335	100,318	58	100,376

Notes to transition table:

(i) The adjustment to debtors on transition to FRS 101 is the recognition of deferred tax assets relating to the recognition of the fair value of the Company's interest rate swaps, forward foreign currency contracts and share options.

(ii) The adjustment to creditors is the recognition of the fair value of the interest rate swaps and forward foreign currency contracts.
To mitigate the impact interest rate movements, the Company has two interest rate swaps in place with a total coverage of £9.0 million (2015: £14.0 million) equivalent to 78% (2015: 82%) of year end net bank debt at a weighted average rate of 1.8% (2015: 2.5%).
The Group has entered into a number of forward foreign exchange contracts to minimise the impact of fluctuations in exchange rates, the movements in fair value are taken to administrative expenses within the profit and loss account.

(iii) Under FRS 101, the retained earnings has been adjusted for the following (charges)/credits:

	29 June 2014	27 June 2015
Interest rate swaps, net of deferred tax	(310)	(287)
Forward contracts, net of deferred tax	(170)	(48)
Deferred tax on share options	151	393
Total adjustment to profit and loss	(329)	58

Notes to the Company's Financial Statements

Presentation of Financial Statements

Basis of Preparation of Consolidated Financial Statements

The Group has adopted the following IFRSs in these Financial Statements:

- Amendment to IAS19 – Defined Benefit Plans: Employee Contributions
- Annual Improvements to IFRSs – 2010-2012 Cycle. The definition of a 'related party' is extended to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity
- Annual Improvements to IFRSs – 2011-2013 Cycle

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

The IASB and the IFRIC have also issued the following standards and interpretations with an effective date after the date of these Financial Statements.

New Standards and Interpretations Endorsed but not yet Effective

- Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (effective date 1 January 2016)
- Equity Method in Separate Financial Statements – Amendments to IAS 27 (effective date 1 January 2016)
- Annual Improvements to IFRSs – 2012-2014 Cycle (effective date 1 January 2016)

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

New Standards and Interpretations not yet Endorsed and not yet Effective

- IFRS 9 Financial Instruments – effective 1 January 2018
- IFRS 15 Revenue from Contracts with Customers – effective 1 January 2018
- IFRS 16 Leases – effective from 1 January 2019

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

Directors' Report

Background

The Group operates in the cake and bread markets which are focused on premium, celebration and well-being products. These products are supplied both under the retailers' own brands and through a number of licensed brands to which the Group has access.

A review of the activities and any likely future developments in the business of the Group is given in the Chairman's Statement, Chief Executive's Report and the Strategic Report on pages 8 to 21.

Dividend

On 15 March 2016, the Board approved an interim dividend for the six months to 26 December 2015 of 0.93p per share which was paid on 22 April 2016. The Directors have recommended a final dividend of 1.87p per share. Subject to shareholder approval at the Company's AGM on 23 November 2016, the final dividend will be paid on 16 December 2016 to all shareholders on the register at 18 November 2016.

Directors and their Interests in the Company

The Directors and brief biographies are detailed on page 6. Zoe Morgan was appointed to the Board of Directors on 4 July 2016. Edward Beale and Paul Monk have announced their intention to step down from the Board at the conclusion of the AGM on 23 November 2016.

In accordance with the Articles of Association Marnie Millard and Zoe Morgan retire by rotation and being eligible offer themselves for re-election at the Company's forthcoming AGM.

The beneficial interests of the Directors in the Ordinary Shares of the Company on 2 July 2016 and 27 June 2015 are set out below:

Ordinary Shares

	2 July 2016	27 June 2015
P Baker	**86,000**	46,000
E J Beale	**40,000**	40,000
S A Boyd	**961,034**	906,629
J G Duffy	**2,197,599**	2,111,762
P J Monk	**291,547**	291,547

Details of Directors' share options are set out in Note 7 to the Financial Statements. There has been no change to the Directors' share interests since 2 July 2016.

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

Zoe Morgan was appointed as a Non-Executive Director on 4 July 2016. Her shareholding on appointment was 20,981 and was unchanged at 16 September 2016.

Share Capital

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

Substantial Interests

The following substantial interests (3 percent or more) in the Company's issued share capital have been notified to the Company as at 1 September 2016:

	Number of shares	**% of issued share capital**
Ruffer LLP	20,386,480	15.64%
Miton Asset Management Ltd	14,116,746	10.83%
Hargreave Hale	13,965,651	10.71%
London Finance & Investment Group P.L.C	8,000,000	6.14%
Henderson Global Investors	7,812,021	5.99%
Investec Asset Management	5,707,638	4.38%
Schroder Investment Mgt	5,104,702	3.92%
Investec Wealth and Investment	4,698,601	3.60%

Research and Development

Research and development (R&D) 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. It is 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 £50.9 million is available of which £19.7 million was drawn at the balance sheet date leaving a headroom of £31.2 million. The interest rate risk is managed through two interest rate swap transactions. The total balance of these swaps was £9.0 million at the period end date. The Group entered into a forward dated swap for £20.0 million for five years from 3 July 2017 (fixed) at 0.455%. 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's 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 £13,000 (2015: £4,000) 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. Further details are set out in the basis of preparation.

Auditor
In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor is to be proposed at the forthcoming AGM.

- 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 or herself 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 16 September 2016 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), including FRS 101 *Reduced Disclosure Framework*.

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 judgements 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
Stephen Boyd
Director

16 September 2016

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 53 weeks ended 2 July 2016 set out on pages 35 to 78. 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), including FRS 101 *Reduced Disclosure Framework*.

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 81, 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 2 July 2016 and of the Group's profit for the 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 the 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

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16 September 2016

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