

Brilliance every day

Strategic Report Highlights

The Group has grown sales year on year, outperforming the market in a challenging and uncertain environment, and in the face of cost inflation. This is thanks to our continuing investment in innovation and efficiency, and an extensive knowledge of our markets and the needs and wishes of our end consumers.

- Completed the acquisition of Ultrapharm, a manufacturer of gluten-free bread and morning goods both in the UK and in Europe.
- Second half like for like growth of 7.5% compares to first half of 0.5%, reflecting significant new business gains.
- Investment in automated individually wrapped cake bar capacity was followed by the successful launch of a new range of cake bars for 'on the go' consumption.
- Significant number of product launches including the new 'vegan' brioche style burger bun into foodservice, approved by The Vegan Society and a new line of Mary Berry cakes.
- Group-wide review of bakery processes is leading to the standardisation of best practice with tangible improvement in quality and consistency and reduction of production waste.
- Award wins include Bakery Manufacturing Company of the Year and several Quality Food Awards.
- Successful roll out of a new IT platform, across all companies in UK bakery.
- Introduced Workplace by Facebook across the Group to drive collaboration.

*1 Like for like revenue is the revenue from operations excluding the revenue from the closed bakeries and acquired businesses.

*2 Profit is before significant non-recurring and other items.

*3 Adjusted EPS has been calculated using earnings excluding the impact of amortisation of intangibles and significant non-recurring and other items as shown on the face of the Statement of Comprehensive Income. The adjusted diluted EPS and adjusted EPS have 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.

Highlights

The figures are for the 52 weeks ended 29 June 2019 and 52 weeks ended 30 June 2018:

Adjusted Operating Profit

	2019 £000	2018 £000
Operating profit	15,293	5,237
Significant non-recurring items – SNR (refer to Note 5 for detail)	1,200	13,067
Difference between Defined Benefit Pension Scheme charges and cash cost	162	(411)
Movement in the fair value of foreign exchange contracts	178	(49)
Adjustments, SNR and other items	1,540	12,607
Adjusted operating profit	16,833	17,844

Adjusted Profit before Tax

	2019 £000	2018 £000
Profit before tax	13,576	4,475
Significant non-recurring items – SNR (refer to Note 5 for detail)	1,200	13,067
Difference between Defined Benefit Pension Scheme charges and cash cost	444	(134)
Movement in the fair value of foreign exchange contracts	178	(49)
Discounting of deferred consideration	139	-
Movement in the fair value of interest rate swaps	382	(143)
Adjustments, SNR and other items	2,343	12,741
Adjusted profit before tax	15,919	17,216

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

Adjusted EPS has been calculated using profit before amortisation of intangibles, significant non-recurring and other items as shown in the tables above net of associated taxation. Other than significant non-recurring items, the adjustments to EPS reflect non-cash items (including amortisation of intangibles). In the opinion of the Board, the adjustments made will allow shareholders to gain a clearer understanding of the underlying trading performance of the Group.

Group Performance Measures

Like for Like Group Revenue¹

£301.8m

↑ 4.0%

Adjusted EBITDA

£25.5m

↓ 0.3%

Adjusted Operating Profit

£16.8m

↓ 5.7%

Adjusted Profit before Tax

£15.9m

↓ 7.5%

Adjusted EPS

9.3p

↓ 8.8%

Capital Investment

£11.0m

↓ 12.6%

Net Debt

£35.6m

↑ 127.8%

Total Dividend

3.5p

↑ 6.1%

Group Revenue

£315.3m

↑ 3.8%

EBITDA

£24.0m

↑ 84.6%

Operating Profit

£15.3m

↑ 192.0%

Profit before Tax

£13.6m

↑ 203.4%

Basic EPS

7.3p

↑ 329.4%

The Group uses Alternative Performance Measures (APMs) which are non-IFRS measures to monitor performance of its operations and of the Group as a whole. These APMs along with their definitions and reconciliations to IFRS measures are provided in the Adjusted Operating Profit and Adjusted Profit Before Tax tables on the previous page and the tables in the Financial Review Section.

¹ Like for like revenue is the revenue from operations excluding the revenue from closed bakeries and acquired businesses.



To view our Annual Report online visit finsburyfoods.co.uk/investor-relations/annual-reports

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Our Business

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

Manufacturing

Finsbury Food Group includes eight manufacturing facilities and bakery companies (including two facilities in the newly acquired Ultrapharm Group) and one distribution company.

Nicholas & Harris
Salisbury

Memory Lane Cakes
Cardiff

Kara Foodservice
Manchester

Fletchers Bakeries
Sheffield

Lightbody of Hamilton
Hamilton

Johnstone's Food Service
East Kilbride

Ultrapharm UK
Pontypool

Ultrapharm Poland
Żywiec, Poland

Lightbody Europe
(distribution company)
Rennes, France



Our Customers

Our bakery segment covers supermarkets, discounters and convenience stores within the retail sector and hotels, pubs, restaurants, high street chains, fast food outlets and contract caterers within the UK foodservice sector. Our Overseas segment covers primarily Retail.

Our Business

Our Products

Our bakery division serves a UK bread and cake retail market of over £6 billion and produces for our UK foodservice channel serving a UK market of a further £1.5 billion. It also supplies a range of cake and gluten-free products to our overseas business in Rennes as well as direct to European retailers.

Bread, Morning Goods and Cakes

- Artisan loaves
- Buns and rolls
- Celebration cakes
- Sharing cakes
- Food to Go cake bars
- Gluten-free bread, morning goods and cakes
- Retailer own-label bakery product
- Memory Lane, our own cake brand

Foodservice

Kara is our own foodservice brand. The range covers an ever-growing portfolio of sweet and savoury baked goods, including floured baps, artisan breads, brioche buns, single serve cakes and large premium cakes, focusing on the latest consumer trends. The latest successful innovation has been a vegan brioche-style burger bun.

Licensed Brands

We have a long-standing relationship with many licensed brands, manufacturing quality bread and cakes for some of the biggest names in the market.

Thorntons

We are now in our 20th year with Thorntons on our cake partnership. This brand partnership has allowed Finsbury to bring a premium feel to the category through celebration, sharing, snacking, food to go and seasonal cake formats. Thorntons is the 4th biggest brand within the Cake category and the biggest brand in celebration cake overall.

Mary Berry

Mary Berry continues to be a success for the business and we continue to work closely with Mary on NPD. Mary Berry is the 8th biggest brand within the Cake category.

Mars

The Mars cake range is now well established within the celebration cake category and this year has seen a broad level of new product launches across the key Mars brands of Galaxy, M&M, Maltesers and Skittles. The important aspect of the Mars product range is each product is true to each respective brand in terms of flavour and profile, which is the main driver of success as consumers' expectations have been met. The Mars celebration cake range is now the 2nd largest within the category.

Baileys

The Baileys brand has been a fantastic experiential brand for the business this year which was born out of the "boozy cake" trend within the market. The range is a core celebration Freak Shake cake and a Christmas range of a Baileys yule log and cupcake. Going forward the Baileys product range will be an integral brand for our business.

Character Licensed Portfolio

We have a broad and unique portfolio of character-based entertainment licenses that meet a broad age demographic and diverse consumer occasions. We work with some of the biggest character licensed brands in the world. Our ever-evolving portfolio is vital in meeting consumer trends and expectations.

The second half of the year saw us expand our ever-growing Disney business to support key blockbuster movie releases of Toy Story 4, the final Avengers instalment; End Game and Spiderman: Far From Home as well as the live action remake of the classic Lion King movie. These launches were all supported by the timeless Disney Princess franchise.

We also launched our first LOL Surprise cake which is based on the biggest collectable toy in the market today. Plus, we continued to keep our core evergreen product portfolio license refresh with the launch of our Batman, Minions, Pokemon, Paw Patrol, Peppa Pig, Trolls and Me to You products which are all seen as the most popular franchises within the cake market today.

Vogels

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

Village Bakery

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

Cranks

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



Market Review

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

Our Markets

UK bakery is a large market valued at over £6.2 billion. In its broadest sense, UK bakery comprises the cake market and the bread and morning goods market. Both these markets straddle the grocery retail market and foodservice market, often also known as out-of-home eating.

We can break the whole market down further into smaller sub categories:

- Cake: sharing, bites, celebration and seasonal.
- Bread and morning goods: 'plant' (packaged or factory) bread, artisan bread, buns and rolls, seasonal hot cross buns, pastry, muffins, doughnuts, Italian and many more.

Both markets also have a wide range of ingredients that can be allergens – including wheat, dairy, eggs and nuts – in which there are growing sub markets such as Free From.

Cake

The total UK ambient cake market (including prepacked cake and in-store bakery) is valued at over £969.0 million (source: IRI, 52 w/e 20 July 2019). We trade across all categories, with large presences in celebration, sharing and seasonal categories.

Bread

The annual retail bread and morning goods market has a value of £4.5 billion (source: Kantar Worldpanel 52 w/e 14 July 2019). This market is further divided as plant bread (£1.6 billion) and the rest, bread and morning goods (B&MG) (£2.9 billion). We trade only in B&MG, with sizeable presences in buns and rolls, hot cross buns and artisan bread.

Free From

The retail Free From bread and morning goods market is valued at £125.3 million (source: Kantar Worldpanel 52 w/e 21 April 2019). The retail Free From cake market is valued at £49.5 million (source: Kantar Worldpanel 52 w/e 24 March 2019).

Foodservice

UK foodservice spans many sub-sectors including coffee chains, restaurants, pubs, hotels and the non-profit sector such as the prison service or education. Each has different routes to market.

The UK foodservice B&MG sector is worth £747.0 million per annum (source: Derived from MCA data 52 weeks to 31 March 2019). We have a significant presence in this sector, primarily with our buns and rolls business.

The UK foodservice cake and sweet treat bakery sector is worth approximately £918.0 million per annum (source: Derived from MCA data 52 weeks to 31 March 2019). Our presence in this sector is primarily within the coffee chains and, through the larger wholesalers, restaurants and pubs.

Overseas

Our Lightbody Europe subsidiary has a significant presence in France as well as Belgium and Holland. The recent acquisition of Ultrapharm has given us additional markets of Scandinavia, Italy and to a lesser extent Germany, Austria and Switzerland. Through our UK retail customers, we trade regularly with their Irish businesses.

Broad Consumer Trends

Innovation and product development is essential to the Group's strategy, helping our customers differentiate themselves and meet the needs of their end customers. Our challenge is to maintain a dynamic product portfolio that matches and satisfies macro consumer trends and niches. Relevant significant market trends are:

Economic

Consumer confidence has been weak for some time, and price and value will remain important. Although consumers will remain cautious and price-conscious, they will continue to want affordable treats, so pricing policies need to reflect household economics.

Grocery and Convenience Channels

Online and discount will be the two fastest growing grocery channels, and will account for 23.5% share of grocery expenditure by 2024 (IGD). The convenience channel is also forecast to see strong growth.

Out-of-home

In the out-of-home market, volume growth has declined as weakening consumer confidence and general consumer caution mean people eat out less. The casual dining restaurant sector is likely to struggle, but fast-food outlets, coffee shops, supermarket cafés and food-to-go offers will see better growth.

Healthy Eating

Consumers continue to pursue more healthy eating options generally, though indulgence is also a key trend in 'sweet-treating'. Media focus and regulatory pressure will continue to drive recipe reformulation and portion size. The 'better for you' market is proliferating rapidly, with protein, gut health, low sugar, vegetarian, plant health, grains and seeds, and slow energy release all growing in popularity over recent years.

Free From

The overall Free From market (all types of food ranges and products) continues to grow, doubling in size in the past five years. Mintel forecasts it to grow by an additional 25% to £899.0 million by 2022. It is boosted by consumers who don't cite a specific allergy or intolerance, but choose to avoid certain ingredients as part of a general healthy lifestyle. Dairy-free and gluten-free are the biggest sub-sectors. The Free From bakery market is valued at £172.0 million and has grown 16.5% year on year (source: Kantar Worldpanel 52 w/e 24 March 2019).

Artisan Bread

The artisan bread market has grown due to the perceived health benefits, the wider trend of provenance and the 'craft' movement. Consumers respond well to products they perceive to be less mass-manufactured.

Fragmentation

Social and demographic trends have a major bearing on the food sector. These include smaller households, single-person mealtimes, an ageing UK population, urbanisation, and an increasingly mobile population with less time to eat. These are fuelling the growth of convenience, online and out-of-home channels. But the growing fragmentation of consumers, channels, eating moments and needs will also translate into increasing demand for personalised products to meet individual needs. Thus single-serve and individually wrapped products are becoming more prevalent and important.

Technology

Technology is fundamentally changing the relationship between businesses and customers, who are increasingly using mobile devices to make purchases. Demand for anytime, anywhere purchasing and access to information will accelerate. Online ordering is not just for the weekly shop, it is also for top-up and 'dinner tonight' shopping.

Strategy and Objectives

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

Our Purpose and Strategy

“Baking brilliance makes every day special.”

Our Purpose

People love the high-quality products we make. They are essential parts of their daily lives and enjoyable treats and choices for every occasion. So we are committed to building the leading speciality bakery group – because baking brilliance makes every day special.

Our Vision and Strategy

Our strategic objective is to create sustainable value for our shareholders, customers and other stakeholders by building the leading speciality bakery group. We produce a broad range of high-quality bread, cake and bakery snacking products targeted at growing channels and market niches. These offer growth potential and differentiation for our major customers, while fulfilling the changing needs and desires of end consumers.

To achieve this our strategy is to:

- Invest in our people and our manufacturing sites to form a strong foundation for our strategy
- Create innovative, high-quality bakery products that anticipate key market trends
- Ensure customer and consumer needs are at the heart of our decision making
- Develop a strong licensed brand portfolio to complement our core retailer brand relationships
- Aim to succeed in both the retail grocery and out-of-home channels
- Grow through a combination of organic growth and targeted acquisitions.

Our Operating Principles



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

Operating Excellence

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

Sustainable Approach

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

Quality and Innovations

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

Cost Effectiveness

We maintain strict cost controls without compromising quality, streamlining our processes from sourcing to delivery.

Growth with Our Partners

Through long-term relationships with our customers and suppliers, and an understanding of their needs, we can all enjoy profitable growth.

People Who Care

We invest in our people, who take personal pride in their contribution to our success, and are strong advocates of our business and products.

Business Model

Our vision is to be a leading speciality bakery group, producing a broad range of high-quality products targeted at growing channels and market niches, and which deliver growth and differentiation for our customers while fulfilling the needs of end consumers.

The Resources we Employ

Financial Capital

The Company is AIM-listed giving it the potential to access institutional funding. The Group also benefits from bank support for strategic investment and acquisitions.

- 3 banks supporting total facilities up to £90.0 million.
- Scottish and Welsh businesses benefit from local government initiatives to promote investment and employment opportunities.
- Low leverage with net debt to EBITDA of 1.4x.

Intellectual Capital

- Extensive speciality bakery product know-how, category insight and understanding.
- Extensive customer relationships in both the retail and foodservice sectors in the UK and in France. The acquisition of Ultrapharm delivers new customer relationships throughout Europe.
- Known brand in foodservice in the UK.
- Licence arrangements with brand owners in the UK and in Europe.

Manufacturing Capital

- Plant and machinery well invested and maintained, with flexibility to cover niche to mainstream products.
- The Group owns all major sites, with available space for new production or consolidation of facilities.
- Common Group IT ERP platform.

Human Capital

- Talent management programme to attract and develop graduates and other employees.
- Structured learning programmes and performance development review process.

Relationship Capital

- Long-term relationships with key partners, suppliers and customers.

Social and Natural Capital

- Signed up to Fairtrade, sustainable sourcing for ingredients.
- Food safety and technical standards are maintained to the highest level.
- Health and Safety (H&S) is a top priority for the Group, with a largely uniform H&S system across the business units and the drive forward of the 'Home Safe Every Day' strategy.

Operating Principles in Action



Operating Excellence

- Sustained strategy to invest in the capability and capacity of our manufacturing assets:
 - Automated single serve cake bar packing, improving capability and cost effectiveness.
 - New gluten-free factory in Poland with modern travelling ovens improving capacity and efficiency.
 - New IT platform across all sites now complete.
- Group engineering forum standardising processes and practices improving plant performance and reliability.
- Group Process Blueprint leading to specific product design framework and improved efficiency and quality work continues.
- Group bakery efficiency programme being worked up.
- Operational supply chain forum set up and objectives set.



Sustainable Approach

- Most Finsbury sites are sending zero waste to landfill already. All are on target to achieve this by 2020.
- All sites have a nominated energy champion responsible for identifying and reducing consumption. Heat recovery projects are underway at several sites, and all lighting will be converted to LED by 2020. The asset investment strategy includes a focus on energy consumption.
- All sites are involved in reducing and eliminating single-use plastics. With good progress already, we are targeting a 50% reduction by 2020.
- A programme of plastic packaging reduction has started across the Group. Where plastic cannot be removed or reduced the aim is to ensure it is all recyclable.



Quality and Innovations

- Extensive insight capabilities mean new product development is in line with market trends.
- Over 60 employees are engaged in developing new products.
- Leading organic bakery in the UK.
- Manufacturing Process Blueprint embraces the production of high-quality premium product.
- All sites hold BRC A-grade or above for food safety standards.
- The Health agenda is embedded into the development process, with over 98% of products achieving 2017 FSA salt targets. Good progress made across all categories in reducing sugar in line with PHE targets, and further research underway to achieve their 2020 objectives.
- Acquisition of Ultrapharm gives us scale in Free From.

Business Model



Cost Effectiveness

- Centralised Group buying focused on high-quality and cost effective ingredients and efficiency of scale in the procurement of indirect items (e.g. personal protective equipment).
- Operational excellence initiatives focused on achieving lowest-cost-producer status in areas where we have niche strength e.g. artisan breads or round sharing cake.
- Our capital investment is focused on capability and cost reduction.



Growth with Our Partners

- Our scale and diversity of products across UK bakery means the relationship with grocery retail customers is a partnership.
- Our business with discounters is growing in line with their growth within UK grocery.
- Our channel diversification into foodservice, our Kara foodservice brand, and our broad frozen foodservice range of products sees us as the leading foodservice partner to the industry growing at 5% in the year.
- We are growing with partners in the UK and across the rest of Europe in both bread and cakes.
- Our Lightbody Europe subsidiary in France and the Ultrapharm business in Poland gives a growing presence in Europe.



People Who Care

- A health and safety risk management team with their mantra of 'Home Safe Every Day' is, supported by resource and a common Group-wide strategy and programme.
- Values of teamwork, honesty, ownership, respect and communication:
 - New Workplace by Facebook communication tool to facilitate communication between all employees.
- A people strategy for all employees, embracing courses in basic English, an engineering apprenticeship programme, a graduate recruitment programme and leadership development programmes.
- Biennial employee survey to obtain our employees' views.

Creating Value

Value for Shareholders

Using our Operating Principles achieves effectively our Purpose and Strategy, creating long-term shareholder value through share price growth and attractive dividends. Despite our achievements, the share price reduced from 117.5p at 30 June 2018 to 67.0p a year later. Over the year the dividend increased from 3.3p per share to 3.5p per share, a 6% increase. The ratio of enterprise value (EV) to adjusted EBITDA is 4.8x. Adjusted Group EBITDA is £25.5 million, consistent with the level achieved in 2018.

Bread and Cakes for Customers and Consumers

We define ourselves as a speciality bakery group. Everything we do is with a view to achieving baking brilliance. We are predominantly a 'retailer brand' manufacturer, but target our product development at 'wowing' consumers, in line with emerging trends and shopping evolution. We constantly innovate and refresh our hot cross buns, artisan breads, celebration cakes, sharing cakes, Christmas yule logs, and our Kara range of foodservice bakery products. We are rapidly expanding our range of gluten-free products in both bread and morning goods and cake.

We measure success by the closeness of our long-term relationships with our retail and foodservice partners, by our growing presence in the discounter and convenience channel, and by the growth in our foodservice business, where we are one of the leading suppliers in bakery.

Our products reach a broader base of consumers through a strategy to diversify across all UK channels and European markets. Our customer base is broad, and having no single dependency lowers risk and creates value.

Employment and Development Opportunities for Individuals and Communities

People are important to our business. We have over 3,000 employees, ranging from unskilled, through semi-skilled, to management. Opportunities exist within all our bakeries for training and development programmes and talent management initiatives. We recognise potential and develop skills, facilitating personal development and advancement. Our 'People Who Care' Operating Principle, and initiatives that support it, reflects the importance of people to our business.

Tax Paid

Finsbury generates substantial tax for the country. Our employees pay tax on their earnings and the Company pays national insurance on those earnings. The Company pays Corporation Tax with an effective tax rate of circa 24.2% (French corporation tax rates 33% to 31 December 2018 reducing to 31% from 1 January 2019), as well as paying indirect taxes such as packaging, apprenticeship levies and in areas such as energy where there are significant government imposed renewable taxes. Our French and Polish-based subsidiaries pay similar taxes in their respective jurisdictions.

Operating Excellence



Enhancements Bring Results



Always Improving

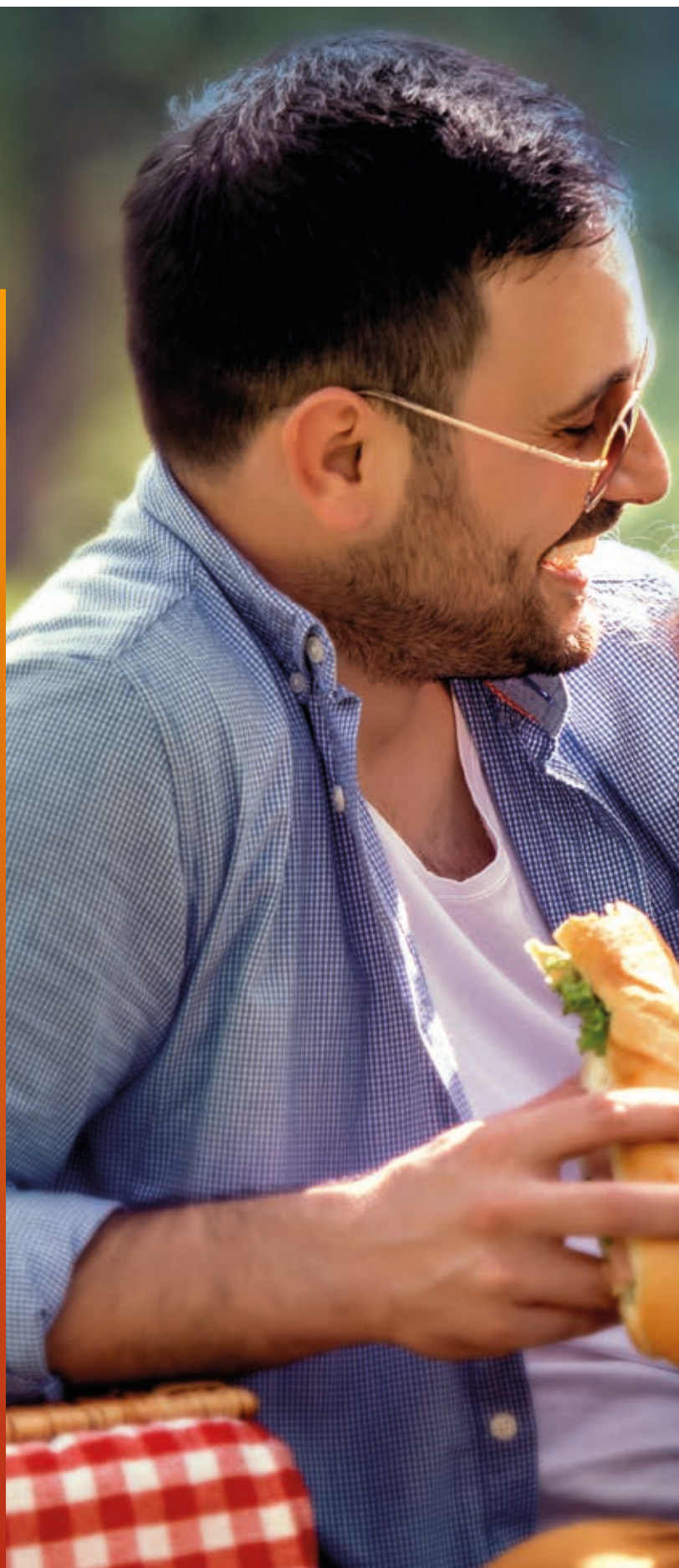
Process Blueprint – During the past 12 months we have been enhancing process control paperwork, improving visual standards, enhancing knowledge of process controls and links to quality control points, feeding back improvements into the new product development process, working with universities and industry bodies to validate findings and embed into our processes.

New Investment – New Markets

We have made a significant investment in our bakery in East Kilbride to deliver automated single serve wrapping capability for baked and cold set bars, which has allowed us to enter the “Food on the Go” market place.

10 Minutes to Full Traceability

We have implemented our new ERP (enterprise resource planning) system, providing real-time management information from supplier, through our bakeries and to our customers. Teams are able to identify improvement opportunities through data-driven analysis. Using this system we have transformed our ability to carry out traceability exercises on our products, moving from an estimated time of four hours to around just 10 minutes making us fit for the future.



Operating Excellence



Chairman's Statement

This robust performance delivered during the year highlights that our exceptional management team and strategy has again delivered results that significantly outperform the market against a backdrop of consumer malaise, cost inflation and macro uncertainty, which has undermined sentiment in the sector.

Our ability to innovate and provide our customers with desirable and quality products is testament to the strength of the Group's creativity, investment and growing operational maturity.

Group revenue increased by 3.8% to £315.3 million. Adjusted EBITDA was £25.5 million and profit before tax was £13.6 million. We have announced a growth in the dividend which will take the total dividend for the year to 3.5p per share, up 6.1% from last year.

Delivering on our Ever-consistent Vision

Our vision is to be the leading speciality bakery group, producing a broad range of high-quality products that fulfil the needs and demands of end consumers, delivering a differentiated product for our customers whilst driving growth for the Group, both throughout the UK and Europe.

We continue to build a business of scale, but also one that can deal with the manufacturing complexity and flexibility required for the breadth of ranges we deliver to the foodservice and the retail markets – from specialist, artisan products to premium or higher-margin products. For ten years we've been delivering this while improving efficiency, investing strategically and thoughtfully, whilst reducing debt and improving diversification.

We believe scale will become increasingly important in the food manufacturing sector as we see our main customers getting larger. Over the years we have made major acquisitions and investments, targeting opportunities based on consumer trends, market niches, new channels and added-value products that retail and foodservice customers are trying to develop. As such, we are well positioned to continue to successfully deliver this increasing product range to our larger customers whilst still maintaining strong relationships with our smaller customers.

Illustrating our ability to complete strategic and complementary acquisitions, the acquisition of Ultrapharm has accelerated our access to the high growth Free From market. We have established a robust platform, increased capacity through a new bakery and resourced the business to allow it to have all the key ingredients to drive further growth.

Through a combination of organic growth and targeted acquisitions in what is a very fragmented market, we will continue to invest, consolidate and therefore grow in areas where we believe we can drive the most value, such as artisan bread, Free From and foodservice.

Operational Agility Delivering Results

Our diversification, agility and innovation has allowed the Group to not only adapt but also perform well in the face of the cost pressures and market volatility we have seen of late. We've continued to not only drive efficiency, but at the same time deliver innovation, allowing us to maintain our leading position in the market.

As part of our drive to ensure excellence across the Group, our Operating Principles, were launched in the first half of the year and are now being applied consistently across the Group. This allows us to deliver Group-wide initiatives to drive scale, productivity and best practice. This will be a major strategic theme over the coming years as we unlock benefits from these investments, including our recent IT roll out across the Group.

Board

The Board is committed to high standards of corporate governance, and has chosen to comply with the QCA Corporate Governance Code. In April we announced that Zoe Morgan, a Non-Executive Director of the Company and Chairman of the Remuneration Committee, would not be seeking renewal of her Directorship. I would like to thank Zoe for her valuable contribution over the last three years to both the Board and to the Company. Subsequently, Marnie Millard, a Non-Executive Director of the Company, took over the Chairmanship of the Remuneration Committee from 1 July 2019.

People

Our people are truly the heartbeat of the Group. Over the last few years we have implemented a considerable number of Group-wide initiatives to ensure that we really are being the best that we can be. The hard work of our teams on a day-to-day basis and engagement with the new initiatives we have introduced has been truly inspiring. With these projects now materially complete, the Group is focused on harnessing the outcomes of these initiatives to drive productivity. Alongside this, the teams' skill and ability to continuously create products that appeal to our customers is remarkable. I would like to thank them all for their tireless effort and look forward to working together to continue to deliver baking brilliance.



Peter Baker
Non-Executive Chairman
13 September 2019

Chairman's Statement



“

We've continued to not only drive efficiency, but at the same time deliver innovation, allowing us to maintain our leading position in the market.

”

Chief Executive's Report



“

As consumer habits change it is vital that our product offering remains on trend and relevant to our end customers, illustrated by the success of our vegan brioche-style buns.

”

The Board is pleased to report its full year results, which show strong sales momentum which has continued into the new financial year.

The Group has grown sales year on year, driven by organic growth, the Ultrapharm acquisition and previously communicated new business wins, despite the challenging retail environment and unprecedented input cost inflation we have experienced over the period.

This robust performance has been delivered with a continuous focus on innovation using our extensive knowledge of our markets and what our end consumers want.

The relentless investment and efficiency focus of recent years has enabled us to navigate this market environment successfully. As we come out of our intense investment phase, with capital expenditure of £11.0 million in the period, the Group will continue to benefit from the investments made for years to come. The true measure of success is that we have once again achieved underlying growth ahead of our market and have demonstrated the growth available from premium, healthy and authentic on-trend innovation.

Illustrating this, following the launch of our own Free From brand in Europe last year, Wiso, we have also launched Free From cakes in addition to the comprehensive Free From bread and morning goods ranges. These products capitalise on the fact that making the choice to avoid gluten or embrace veganism are growing lifestyle and health choice across North America, Europe and UK.

The Group's diversification by channel has truly delivered in the period with our 'out-of-home eating' foodservice market, where we supply pub and restaurant chains, fast-food outlets and contract caterers, being a particularly strong performer. As consumer habits change it is vital that our product offering remains on trend and relevant to our end customers, illustrated by the success of our vegan brioche-style buns.

We continue to have a broad portfolio of licensed brands that are complementary to our retailer own label business and foodservice range.

This offering is vital in meeting consumer trends and expectations with our portfolio evolving all the time. The second half of the year has been particularly active with the big blockbuster movie releases of Toy Story 4 and the latest Avengers and Spiderman instalments, which have all broken cinematic records and have their own cake range. We also continued to keep our core evergreen product portfolio licenses fresh with a relaunch of our Batman, Minions, Pokemon, Paw Patrol, Peppa Pig, Trolls and Me to You cakes.

Artisan breads, which may be hand-crafted, require long fermentation, baking in stone ovens, and a skilled team, continues to grow strongly. As such, we are looking to invest in further capacity to capitalise on this growing trend, going forward.

Innovation and Craftsmanship

Key components of our strategy are creating innovative, high-quality bakery products that anticipate and deliver on key market trends, ensuring customer and consumer needs are at the heart of our decision making. We always strive to be front and centre of these trends and this is driven by our deep knowledge of the markets we serve combined with the skill and experience of our employees. An example of this is the successful launch of a new range of cake bars for on the go consumption which drove our investment in automated individually wrapped cake bar capacity, and the launch of our vegan brioche style bun into foodservice, which is approved by The Vegan Society. We are constantly listening, monitoring, and testing to make sure that we're on top of trends as they emerge.

Be it foodservice, licensed brands or retailer owned brands – evolving consumer trends such as indulgence, health and wellbeing, or adapting single serve product formats for convenient out-of-home eating occasions have played a large part in driving the growth in our core division, enabling the Group to perform ahead of the wider market.

Illustrating this ability to deliver innovative, on trend and high quality products, the Group was delighted to be recognised at the Food Manufacturer Excellence Awards, winning the Bakery Manufacturer Company of the Year. Meanwhile, a number of our products were placed in the winner's category at the Quality Food Awards.

Sitting at the heart of the Group is our ability to innovate and craft products that our customers want to purchase.

Maximising the Benefits of the Group's Structure

Throughout the last couple of years, a core part of our strategy has been to ensure that all our businesses acknowledge and embrace the key strengths of the Group, whilst benefitting from common approaches. Our newly introduced IT platform has been implemented to support common business processes and further efficiency improvement, and we have also developed our Group-wide people strategy. Now that both of these have been rolled out across the Group, we are starting to see the benefits that this approach is expected to deliver.

We are building a Group-wide Process Blueprint which is standardising processes and practices to improve plant performance and reliability, which of course delivers improved efficiency and quality. We know that there are still aspects that we can further improve and we are in the process of setting up a Group Bakery Efficiency Programme and an Operational Supply Chain Forum, which will continue to drive improvements in quality and consistency, plus further reduce production waste.

All of the initiatives mentioned above are examples of our Operating Principles in action. The Finsbury Operating Principles effectively help to achieve our Purpose and Strategy, creating long-term shareholder value through share price growth and attractive dividends.

We know that the benefits of utilising our Group structure and expertise will help us to be the leading speciality group that we strive to be.

Chief Executive's Report

Strength in Collaboration

We are seeing encouraging results from our people strategy throughout the Group. The positive momentum is illustrated by a number of internal promotions into senior roles over the last year. These promotions demonstrate the benefits of this programme, as well as our commitment to growing our people with the business.

Employee engagement and communication has been significantly improved with the introduction of Workplace, a collaboration platform, across the Group in the first half. The use of this platform has enabled colleagues to collaborate more effectively across teams, projects, sites and accelerate functional best practice transfer as well as create instant communication opportunities and increase transparency.

I would like to thank all of our employees for the way in which they have embraced and engaged with all the initiatives that we have introduced over the last few years. They have responded brilliantly, and we're very grateful for that. We believe that by working together, we become stronger as a Group.

Broadening our Group through Acquisition

In September 2018 we acquired a specialist Free From bakery, Ultrapharm. As with all acquisitions, we completed a comprehensive multi-function assessment, utilising expert resource from across the Group as well as the existing management team, against Group standards and best practice before creating a prioritised integration action plan. Additional expert resources from across the Group have complemented management to implement the year one plan which is now largely complete as expected.

In addition, we have invested in new capacity, with a new bakery in Poland, alongside additional resources and skills to deliver a stronger platform for anticipated future growth.

Whilst we remain committed to future acquisition-led growth as part of our strategy, as always, we are focused on driving organic growth and efficiency within the current Group structure. With any further acquisitions we would be looking to introduce new product, customer or channel diversification, or accelerate market consolidation in our main product areas.

Outlook

We are confident that the strong second half performance will continue into the year ahead, as the core business continues to perform well with strong quarter one growth to date, outperforming Finsbury's respective markets.

We have made a number of significant investments across the Group that have stood us in good stead throughout what has been a more difficult period. With the Group now in its strongest position in recent years and having completed a period of intense investments including the IT platform roll out and the new Free From bakery in Poland, we are expecting to significantly reduce our capital spend going forward as we focus on driving further efficiencies from the new systems and processes and utilise our additional capacity.

Whilst the wider macroeconomic and political environment remains challenging in the UK, our drive for innovation, outperformance of foodservice and our entry in the Free From market provides a strong footing to continue to drive organic growth. Our Group-wide drive for efficiency and productivity coupled with the skill of our people provides Finsbury with a backbone to achieve further growth.

By maintaining a longer-term strategic approach, given an uncertain consumer and inflationary cost environment outlook, we are confident that we will continue to build a strong, lean, scale competitor and consolidator.



John Duffy
Chief Executive Officer
13 September 2019

Sustainable Approach



Savings with the Planet in Mind



Reducing Energy

We have embarked on a programme within our biggest bread factory to measure and track how we consume energy to identify initiatives where real savings can be achieved. On two key production lines we have seen potential for a 10% reduction in energy usage. The approach taken will be rolled out across the Group.

Reducing Plastic

Single use plastic is a key focus for our business and wherever possible we are removing it. One project alone has seen us remove 20 tonnes of plastic from our business and we have plans for many more. Where removal is not possible then we will ensure that all our plastics are recyclable.



Quality and Innovations



Maintaining High Standards



A Focus on Quality

Quality runs to the heart of our business supporting our purpose of Baking Brilliance. We focus heavily on quality metrics including complaints from customers. The business as a whole has achieved over a 10% reduction in complaints with our Fletcher's business achieving a standout 27% year on year reduction achieving industry leading standards through their work with our complaints investigation and reduction system.

Satisfying New Trends

Innovation is key to our partnership relationship, particularly with our customers and consumers. Our Kara brand vegan buns launched during the year for our foodservice market meets a rapidly developing consumer trend. We are very proud when our products win awards and this year was no exception. We won nine awards for our brilliant bakery products across the business. We were also awarded Bakery Manufacturing Company of the Year in recognition of the work we have done in many areas of our business.



Key Performance Indicators Financial

Sales Growth %

Performance



Definition

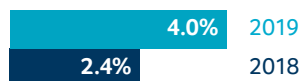
Revenue £ this year/Revenue £ last year as a percentage.

2019 Performance

Strong organic growth with business wins, acquisition during the year of Free From bakery and closure of loss making business in the prior year.

Like for Like Sales Growth %

Performance



Definition

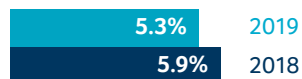
As above, but comparing like for like, excluding decline from closures.

2019 Performance

Strong organic growth with significant business wins.

Adjusted Operating Profit %

Performance



Definition

Adjusted operating profit £/Revenue £ as a percentage.

2019 Performance

Commodity, labour and general cost inflation underpinned the decline in adjusted operating profit %. There is a constant drive for efficiency and strong capital investment.

Adjusted EPS

Performance

Basic



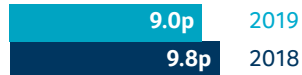
Definition

Adjusted Basic: adjusted profit attributable to the equity holders/weighted average number of ordinary shares in issue during the period.

2019 Performance

With a decline in operating profits, and with the weighted average number of ordinary shares in issue during the period slightly higher than that of the previous period, there is a decline in the EPS.

Diluted



Adjusted Diluted: adjusted profit attributable to the equity holders/(weighted average number of ordinary shares in issue during the period + dilutive effect of share options).

Net Debt

Performance



Definition

Interest-bearing loans and borrowings plus unamortised transaction costs, including cash balances.

2019 Performance

The Group acquired Ultrapharm Limited, a Free From business, during the year for an initial consideration of £16.9 million. This gives access for the Group to high growth areas of Free From.

Debt to Adjusted EBITDA

Performance



Definition

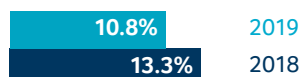
As above expressed as a ratio to adjusted EBITDA (operating profit adding back depreciation and amortisation).

2019 Performance

This is driven by the increase in net debt by £20.0 million, driven by acquisition during the year and increased working capital driven by significant business wins.

Return on Capital Employed (ROCE)

Performance



Definition

Adjusted operating profit/average capital employed.*

*Average capital employed = net assets, excluding cash, interest-bearing borrowings, deferred consideration, fair value derivatives and pension deficit.

2019 Performance

A decline in ROCE mainly driven by acquisition during the year and continuing inflationary trading environment created by commodities, national living wage and general inflation. The Group is investing in a stronger platform for future growth with a more diversified Group.

Key Performance Indicators Non-Financial

Revenue £k per Employee

Performance

103	2019
102	2018

Definition

Revenue/The average number of persons employed by the Group including Directors and excluding agency staff during the year.

2019 Performance

An important productivity measure. Growth in like for like sales and growth through an acquisition during the year accompanied by an increase in the average number of people employed with an acquisition during the year has led to a small increase year on year.

Number of Employees

Performance

3,062	2019
2,988	2018

Definition

The average number of persons employed by the Group including Directors and excluding agency staff during the year.

2019 Performance

An increase during the year primarily due to the acquisition of Ultrapharm.

Number of BRC A Grade Ratings

Performance

6	2019
6	2018

Definition

Number of sites attaining BRC A grade ratings for food safety.

2019 Performance

A consequence of our focus on operational excellence, it underlines our strategy, and our purpose – of Baking Brilliance.

Complaints per Million Units

Performance

18.9	2019
20.0	2018

Definition

Number of complaints/(number of units sold/1,000,000).

2019 Performance

Our long-term commitment to product quality makes this a key measure. The improvement during the year is the result of systematic focus on key areas of complaint and eliminating them and our focus on quality consistency improvements. Process Blueprint should drive further improvements across all sites.

RIDDORs* per 100k Hours Worked

Performance

0.22	2019
0.13	2018

Definition

Number of RIDDORs in 12 months/(number of hours worked in 12 months/100,000).

* RIDDOR is the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013.

2019 Performance

During FY19 we have seen an increase in the number of accidents leading to a RIDDOR. We believe we have the appropriate resourcing in place to focus on identified root causes.

Cost Effectiveness



Efficient Capabilities



The bakery market is competitive and cost effectiveness is essential to success.

We continue to invest in capability and efficiency of our plant and equipment:

- In Poland we have commissioned a state-of-the-art new dedicated gluten-free factory with new travelling ovens which are significantly more cost effective than those replaced and with a higher throughput and range capability.
- In East Kilbride we have invested in capability and automation of our cake bar line to provide a high-speed single serve product.

Risk Report

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



Principal Risks and Uncertainties

The Group's management team assesses risks regularly and develops strategies for dealing with them. We carry out an annual formal review of risks. This process involves identifying risks, and determining the likelihood of them affecting the business, the potential severity of their impact, and what we need to do to manage them effectively. This risk management is essential to our ability to achieve our strategic objectives.

The risks we consider material are as follows:

Strategic Risks:

Retailer Consolidation

There have been a number of high-profile mergers and prospective mergers reported in the press in the past few years such as Tesco and Booker. There is always a risk in these situations that, as the newly merged entities look to offer the consumer lower prices through economies of scale, they rationalise their supplier base. Also, the exceptional buying power of these new entities could pressurise suppliers into lowering prices to preserve trade.

As a supplier to most grocery customers including the ones mentioned above, we are not immune to this risk. We strive to be the highest-quality, most-innovative and lowest-cost supplier and believe this, along with our strong partnership relationships with our customers, will ensure we are strongly placed to continue to supply them.

Competitive Environment and Customer Requirements

The bakery sector remains competitive. Monitoring key performance indicators at customer level such as service or customer complaints is part of our risk management process. Providing high-quality products, investing in innovation, and competing in value, helps strengthen customer relations and support growth initiatives. We invest heavily in category management, new product development and marketing. This investment has helped create an insight into customer and consumer demands.

Consumer Trends

The risk of a no deal Brexit and the uncertainty surrounding Brexit more generally along with political uncertainty continue to weigh on consumer sentiment. British consumer confidence has deteriorated in the last year. The risk to the Group is that spending on non-essential goods and treats will fall, affecting the demand for our key products.

We will continue to focus on quality and value and will look for new channels, new products and new formats to gain competitive advantage.

Health continues to be a major focus for the business. Special teams continue to work on reducing sugar and salt as part of the Government obesity strategy and Public Health England recommendations. Our development teams work closely with our customers to ensure we meet or exceed all guidelines for health and nutrition, and work continuously with suppliers to reduce salt, fat and sugar in our products. We are committed to meeting the FSA 2017 salt targets and are already over 90% compliant.

Risk Report

Operational Risks:

Health and Safety

The importance of health and safety is widely recognised across the Group. Failure to adhere to health and safety regulations within the workplace not only puts our employees at risk, but could also carry serious financial, reputational and legal risk. We have a Group Head of Health and Safety to create a uniform system across all business units and to promote our 'Home Safe Every Day' strategy.

The Group's technical function is responsible for implementing and maintaining high standards of food safety, striving for best practice. We manage quality assurance procedures at site level, and review and audit them continually, making improvements as appropriate.

All manufacturing sites are registered under the British Retail Consortium (BRC) Unannounced Scheme. The sites are subject to regular internal and independent food safety and quality control audits, both announced and unannounced, including those carried out for our customers. We maintain appropriate insurance cover, including product recall insurance, to mitigate the potential financial impact of a breach in food safety compliance.

External Risks:

Brexit and Political Uncertainty

Anything different from the current environment is likely to have an impact on both the food manufacturing industry and on the Group.

The majority of the Group's trading is in the UK, but we have cross border sales from the UK into Lightbody Europe, our 50% owned subsidiary, and into Ireland. The Polish business of Ultrapharm trades solely within Europe and not to the UK market.

We buy some commodities from Europe. Any tariffs on trade will therefore have a bearing on the Group. We already have contingency planning in place, looking at alternative UK sources of products.

Higher logistics and administration costs may result from border delays and could necessitate higher stock levels.

To the extent that we use low skilled labour we are developing labour strategies to retain and develop existing workers, attract and hire new workers and reduce labour, while boosting productivity with our capital investment program.

We are not being complacent in our response to all scenarios, and have a cross-functional team which has prepared a number of strategies to minimise its impact.

Cyber Security

The Group may be potentially exposed to random, malicious attacks from cyber criminals. Maintaining protection software is one tool in protecting our data. In addition, we are implementing common information systems across all companies, with standard protection, operating requirements and security protection. Real-time back-up, training, and regular communication, pulls our defences together.

Building on work carried out in 2018 we have been working on an initiative to explore and create best practice in cyber security, the result of which is adoption of the Cyber Essentials scheme. This is a cyber security standard instigated by the HM Government, together with industry, to create a call for evidence based on a preferred organisational standard in cyber security practices. It provides a clear guidance on the implementation of policies and procedures, gap analysis and risk assessment that can culminate in two levels of certification – with further levels being developed for the future.

The scheme focuses on five essential mitigation strategies:

- Firewalls
- Secure Configuration
- Access Control
- Malware Protection
- Patch Management

Cyber risks are evolving. We are aware of the threat, vulnerability and impact of recognised risks as a baseline for Group cyber security. Analysing and recognising this fundamental information will determine what parts are to be driven to provide the wider improvements and mitigate recognised risk events. As digital transformation proceeds, cyber security must be an enabling function rather than a block to innovation and change.

Financial Risks:

Commodity and Labour Pressures

Bakery involves the use of commodities whose prices are determined by worldwide demand and macro-economic factors. Commodity pressures have increased as a consequence of a number of factors:

- A change in the value of Sterling against both the Euro and Dollar following the EU referendum.
- The commodity cycle has seen significant increases in the price of a number of commodities over and above any exchange rate deterioration.
- European policies, particularly for butter and sugar.

We maintain a high level of expertise in our 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 effectively as far as the competitive environment allows. We also purchase forward foreign currency to minimise the fluctuation of input costs linked to future currency conversion rates.

The National Living Wage is increasing the cost of labour above inflation and demand-related adjustments. More recently the future availability of labour has become a concern. Ongoing capital investment and improvements in operational efficiency help us reduce the impacts of both labour availability and cost as well as material inflation.

Pension Fund Deficit

The Group has one Defined Benefit Pension Scheme within its Memory Lane Cakes Limited business in Cardiff. The Scheme was closed to new members in 2010, to reduce the funding risk to Memory Lane Cakes. The valuation of the Scheme on a technical provision basis, as well as the underlying performance of the invested assets can cause large fluctuations in valuations. 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 prepared as at 31 December 2018.

Foreign Exchange

We acquired manufacturing facilities in Poland through the Ultrapharm acquisition. The sites supply to mainland Europe with income in Euros and local costs denominated in Polish zloty. We supply UK-manufactured products to Lightbody Stretz Ltd, our 50%-owned selling and distribution business which trades in mainland Europe. We also buy a small number of commodities and capital equipment in foreign currency. As a consequence we are exposed to fluctuations in foreign currency rates. We manage this risk by continually monitoring our exposure to foreign currency transactions. We use forward currency contracts when required and our procurement team works hard to ensure we get the best prices for commodities and equipment giving special consideration to the benefits of contracts denominated in foreign currency.

Growth with Our Partners



The Power of Teamwork



We consider customers, licence owners and suppliers to be our partners. We work with customers to provide a constant stream of high quality and innovative products. Our customer and licence relationships have continued over many years and recent growth in share of licence and in the convenience and discounter channels prove our strong partner credentials. We work with suppliers to resource high quality ingredients in a global market place but also to provide innovation in raw materials and packaging that support our innovation in product quality and range.



Growth with Our Partners



Financial Review

Group revenue for the 52-week period to 29 June 2019 is £315.3 million, 3.8% higher than last year.

The tables below show what the Directors consider to be the underlying performance of the Group. The adjustments eliminate the impact of significant and non-recurring items and other accounting items that do not reflect the underlying performance of the Group.

52 week period ended 29 June 2019

	Operating performance £000	Significant non-recurring items £000	Defined Benefit Pension Scheme £000	Fair value of interest rate swaps/foreign exchange contracts £000	Discounting of deferred consideration £000	As per Consolidated Statement of Comprehensive Income £000
Revenue	315,281	-	-	-	-	315,281
Cost of sales	(219,849)	-	-	-	-	(219,849)
Gross profit	95,432	-	-	-	-	95,432
Other costs excluding depreciation and amortisation	(69,905)	(1,200)	(162)	(178)	-	(71,445)
EBITDA	25,527	(1,200)	(162)	(178)	-	23,987
Depreciation and amortisation	(8,694)	-	-	-	-	(8,694)
Operating profit	16,833	(1,200)	(162)	(178)	-	15,293
Finance income	77	-	-	-	-	77
Finance costs	(991)	-	(282)	(382)	(139)	(1,794)
Profit before tax	15,919	(1,200)	(444)	(560)	(139)	13,576
Taxation	(3,605)	128	75	95	24	(3,283)
Profit for the year	12,314	(1,072)	(369)	(465)	(115)	10,293

52 week period ended 30 June 2018

	Operating performance £000	Significant non-recurring 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	303,600	-	-	-	303,600
Cost of sales	(211,511)	-	-	-	(211,511)
Gross profit	92,089	-	-	-	92,089
Other costs excluding depreciation and amortisation	(66,489)	(13,067)	411	49	(79,096)
EBITDA	25,600	(13,067)	411	49	12,993
Depreciation and amortisation	(7,756)	-	-	-	(7,756)
Operating profit	17,844	(13,067)	411	49	5,237
Finance income	24	-	-	143	167
Finance costs	(652)	-	(277)	-	(929)
Profit before tax	17,216	(13,067)	134	192	4,475
Share of losses of equity accounted investees after tax	-	-	-	-	-
Taxation	(3,708)	2,452	(23)	(32)	(1,311)
Profit for the year	13,508	(10,615)	111	160	3,164

Financial Review

Like for like Group revenue (excluding the revenue from the closed bakeries and acquired businesses) is, at £301.8 million, up 4.0% or £11.6 million. Growth in continuing revenue is within markets that are seeing value growth with a slight volume decline.

We have stripped significant and non-recurring costs of £1.2 million, which primarily relate to acquisition and restructuring costs, out of operating profit, to give adjusted operating profit, which provides a clearer presentation of the underlying trading performance of the Group. Adjusted operating profit at £16.8 million is down 5.7% on last year. Adjusted operating profit margins are 5.3% (2018: 5.9%), a consequence of a challenging global environment. We saw a second half year growth through a combination of organic growth, new business wins, price recovery and the acquisition of Ultrapharm. The Group's performance is seen as resilient attributable to our capital investment, the diversification of the Group into foodservice and high growth areas such as Free From, our constant drive for efficiency and our relentless drive to deliver on customer trends.

Dividend

Subject to shareholder approval at the Company's AGM on 20 November 2019, the final dividend of 2.34 pence per share will be paid on 23 December 2019 to all shareholders on the register at 22 November 2019, and will be recognised in the year ending 27 June 2020.

Earnings Per Share (EPS)

EPS comparatives to the prior year can be distorted by significant non-recurring items and other items highlighted in the tables. The Board is focused on growing adjusted diluted EPS which is calculated by eliminating the impact of the items highlighted in the tables as well as amortisation of intangibles and incorporates the dilutive effect of share options. Adjusted diluted EPS is 9.0p (2018: 9.8p).

	52 week 2019	52 week 2018
Basic EPS	7.3p	1.7p
Adjusted basic EPS	9.3p	10.2p
Diluted** basic EPS	7.0p	1.6p
Adjusted* diluted** EPS	9.0p	9.8p

* Further details on adjustments can be found in Note 10.

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

Cash Flow

There was an increase in our working capital of £5.6 million (2018: £1.3 million decrease) in the financial year. Corporation Tax payments made in the financial year totalled £2.0 million (2018: £3.3 million). The payments in the current and prior year took account of the research and development tax relief due to the Group, tax losses being utilised, and a higher tax rate charged on overseas profits. Capital expenditure in the year amounted to £11.0 million (2018: £12.6 million).

Debt and Bank Facilities

The Group's total net debt is £35.6 million (2018: £15.6 million), up £20.0 million from the prior year. During the year, the Group acquired Ultrapharm for an initial consideration of £16.9 million. The Group has a revolving credit facility available until February 2023 of £55.0 million provided by a club of three banks – HSBC, Rabobank and RBS – with scope for it to be increased by up to a further £35.0 million.

The Group is able to offer strong asset backing to secure its borrowings. The Group owns freehold sites in Cardiff, Sheffield and Scotland. In addition, the Group has a strong trade debtor book made up primarily of the UK's major multiple retailers. This debtor book stood at £45.2 million (2018: £40.0 million) at the period-end date.

The Group recognises the inherent risk from interest rate rises, and uses interest rate swaps to mitigate these risks. The Group has two swaps, one for £20.0 million for five years from 3 July 2017 (fixed) at 0.455% and one for £5.0 million for three years from 28 March 2019 (fixed) at 1.002%. The total balance of swaps at 29 June 2019 is £25.0 million (2018: £20.0 million). The counterparty to these transactions is HSBC Bank Plc.

The effective interest rate for the Group at the year end, taking account of the interest rate swap in place with base rate at 0.750% and LIBOR at 0.715%, was 2.047% (2018: base rate 0.500% and LIBOR 0.501% effective interest rate 1.66%).

Financial Covenants

The Board reviews the Group's cash flow forecasts and key covenants regularly, to ensure it has adequate facilities to cover its trading and banking requirements with an appropriate level of headroom. The forecasts are based on management's best estimates of future trading. There has been no breach of covenants during the year and the Board do not expect any in the forecast periods.

Interest cover (based on adjusted earnings before interest, tax, depreciation and amortisation – EBITDA) for the 52 weeks to 29 June 2019 was 28.0 (2018: 40.7). Net bank debt to EBITDA (based on adjusted EBITDA) for the year to 29 June 2019 was 1.4 (2018: 0.6).

Taxation

The Group taxation charge for the year was £3.3 million (2018: £1.3 million). This represents an effective rate of 22.6% on profits before significant and non-recurring and other items (2018: 21.5%). You can find further details on the tax charge in Note 9 to the Group's Financial Statements.

Financial and Non-Financial Key Performance Indicators

We monitor a range of financial and non-financial KPIs at site level covering, amongst others, productivity, quality and health and safety.

The Group Board receives a regular overview of all KPIs. We discuss these KPIs in further detail on pages 18 and 19.

The Strategic Report was approved by the Board of Directors on 13 September 2019 and was signed on its behalf by:

Stephen Boyd
Director

People Who Care





Investing in Our People



Targeted Safety Initiatives

During the year we have been progressing with our 'Home Safe Every Day' programme with a renewed Health and Safety strategy which details our vision for the financial years 2020 to 2023, setting out the ethos relating to Health and Safety. Our SHE Assure System has facilitated improved data analysis which allows us to focus on the key drivers of our accident statistics, resulting in targeted initiatives to respond appropriately.

Improving Communications

The introduction of Workplace by Facebook has taken communication with employees and between employees to new levels. It is facilitating the sharing of ideas and best practice, better team working and creating a community spirit; generating better engagement with our colleagues.

Corporate Governance

Chairman's Introduction to Governance

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

The Board

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

Save for the resignation of Zoe Morgan as a Non-Executive Director during the year under review and the resultant change to chairmanship and composition of the Remuneration Committee, such role now undertaken by Marnie Millard, and composition of the Audit Committee there have been no significant changes to the Company's corporate governance arrangements during the past year.



Report on Corporate Governance

QCA Principles

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

The Group's vision is to be the UK's most innovative speciality bakery group, providing differentiation for our customers. Our business model, and the Finsbury 'recipe for growth' Operating Principles by which we manage our business, are shown on pages 5 to 8. Our strategy and markets are explained in detail in our Strategic Report on pages 5 and 6.

2. Seek to understand and meet shareholder needs and expectations

Relationships with our shareholders are important to us and we seek to provide effective communications through our Interim and Annual Reports along with Regulatory News Service announcements. We also use the Company's website, www.finsburyfoods.co.uk for both financial and general news relevant to shareholders. The Executive Directors meet shareholders and other investors/potential investors at regular intervals during the year and host broker and analyst meetings at operating sites from time to time.

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

The Annual General Meeting (AGM) is regarded as an opportunity to meet, listen and present to shareholders, and their participation is encouraged; all Directors attend the AGM and are available to meet shareholders individually or as a group. All 2018 AGM resolutions were passed comfortably.

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

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

Another key element of our recipe for growth is to work for mutual benefit with our partners, including retail grocery and foodservice customers, all of whom benefit from tailored innovation and service. Joint business plans are agreed, customers visit our sites on a regular basis to be involved in product development and business planning activities.

Our key strategic suppliers are long term in nature and work in partnership with the Group on innovations in both product and service. We believe an ethical supply chain is a sustainable one. Finsbury Food Group is a long-standing member of Sedex, an organisation for promoting improvement in responsible and ethical business practices in supply chains.

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

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

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

The key features of the Group's system of internal control are as follows:

- An ongoing process of risk assessment to identify, evaluate and manage business risks
- Management structure with clearly defined responsibilities and authority limits
- A comprehensive system of reporting financial results to the Board
- A rolling programme of internal audit activities carried out by group finance reporting to the Audit Committee
- Appraisal and authorisation of capital expenditure projects
- Dual signatories on all bank accounts

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

The Board is currently made of up two Executive Directors, the Chairman and three other independent Non-Executive Directors. During the year under review, Zoe Morgan also served on the Board as an independent Non-Executive Director.

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

A calendar of meetings and principal matters to be discussed is agreed at the beginning of each year. Board papers are circulated at least one week before meetings, allowing time for full consideration and necessary clarifications before the meetings. Board dinners are held on the evening before meetings and allow broader discussion and development of effective Board relations. Meetings are open and constructive, with every Director participating fully. Meetings are held at operating sites on a rotating basis, enabling the Board to meet the senior site teams and to visit the factories.

Report on Corporate Governance

The Board held five scheduled meetings during the year under review. Attendance by individual Directors at Board and scheduled Committee meetings was as follows:

Director	Board Meetings (5 meetings)	Audit Committee (3 meetings)	Remuneration Committee (2 meetings)	Nominations Committee (0 meetings)
John Duffy	5	-	2	-
Steve Boyd	5	3	2	-
Peter Baker	5	-	-	-
Bob Beveridge	5	3	-	-
Ray Duignan	5	3	2	-
Marnie Millard	5	-	2	-
Zoe Morgan	4	1	2	-

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

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

The Non-Executive Directors have both the breadth and depth of skills and experience to fulfil their roles. With the Executive Team, the Board contains a broad range of relevant skills, experience and contacts which are deployed to the benefit of the Company. Details of the Directors' individual experience and areas of expertise are outlined on pages 33 and 34. The Nominations Committee is responsible for considering Board composition, including diversity issues and making appropriate recommendations. Diversity and gender balance will be taken into account in respect of any future Board appointments with the overriding objective of securing the right person for the role.

The Non-Executive Directors met during the year without executives present and maintain ongoing communications with executives between formal meetings.

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

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

The Remuneration Committee utilises specialist remuneration consultants to provide advice in relation to remuneration policy decisions and the Board utilises specialist pension advisers to provide advice in relation to Group pension arrangements.

All Directors have access to the Company Secretary, who is responsible for ensuring that Board procedures are followed and that the Company complies with all applicable rules, regulations and obligations governing its operation. If required, the Directors are entitled to take independent legal advice and if the Board is informed in advance, the cost of the advice will be reimbursed by the Group.

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

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

During the year under review, the Non-Executive Directors undertook a review of the performance of the Chairman. The Chairman also met on an ongoing basis with Executive Directors and the Non-Executive Directors to discuss their performance and any suggestions they have for improving the function of the Board. All reviews sought feedback from other Directors to ensure a balanced approach.

The 2018 Board evaluation exercise found that the Board and sub-committees were working well, but highlighted some areas for improvement including the need to develop succession planning and implement post investment reviews.

In respect of succession planning, the Company has, where possible, identified internal candidates as possible replacements for senior managers/site managers. In the event of a site manager leaving the Company in a situation where an internal candidate has not been identified or has been deemed not to have the requisite experience, the Company will seek to recruit externally. In respect of succession planning for Non-Executive Directors, the Board deemed that the current Board composition of two Executive Directors, the Chairman and three independent Non-Executive Directors to be sufficient following the resignation of Zoe Morgan from the Board during the year under review.

The 2019 Board evaluation exercise was completed in June 2019 with evaluation scores improving relative to the 2018 evaluation exercise. No particular areas for development were noted. Key areas of improvement included the level of interaction between the Non-Executives Directors and the Executive Directors and divisional managing Directors in terms of challenging, agreeing and finalising the Group's strategy.

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

As an innovative food business in a highly competitive market our success depends crucially on people who care and are fully engaged to do their best for Finsbury. The values of Communication, Respect, Ownership, Honesty and Teamwork are integral to the corporate culture. The management of the Group and all bakeries is underpinned by the Operating Principles which were agreed and rolled out in 2017/18. These are:

- Operating excellence
- Sustainable approach
- Quality and innovations
- Cost effectiveness
- Growth with our partners
- People who care

Report on Corporate Governance

By visiting all sites during the year, the Board is able to talk to staff and observe behaviour in order to satisfy itself on the status of the culture.

The Group has rolled out Workplace by Facebook to facilitate promotion of the corporate culture and values, communication across the Group and sharing of ideas and best practice through all our sites and across all staff. Senior staff attend an annual conference which is again based on communicating and embedding our core values throughout the business. A survey of employee engagement is also carried out every two years to assess employee engagement with our corporate values and satisfaction with the Group and the employee experience.

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

The Board is committed to high standards of corporate governance and has chosen to adopt the QCA Corporate Governance Code and to join the QCA. We review our corporate governance arrangements regularly and expect to evolve these over time.

The Board has reviewed the schedule of matters reserved for its decision during the year. 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 and policy

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

Audit Committee

The Audit Committee had three members during the year under review but now has two members following the resignation of Zoe Morgan earlier in the year. These are Bob Beveridge (Chairman) and Ray Duignan. The Group Finance Director and external auditors attend meetings by invitation. The Audit Committee's responsibilities include the review of the scope, results and effectiveness of the external audit, the review of half-year and annual accounts, and the review of the Company's risk management and internal control systems. The Committee had three scheduled meetings three times during the year. A separate report of the Audit Committee activities is outlined on pages 38 and 39.

Remuneration Committee

The report of the Remuneration Committee is set out on pages 40 to 44. The Audit Committee had three members during the year under review but now has two members following the resignation of Zoe Morgan earlier in the year. They are Marnie Millard (Chairman) and Ray Duignan. The Committee is responsible for setting the remuneration arrangements, including short-term bonus and long-term incentives, for Executive Directors as well as approving, the remuneration principles for senior staff. The Committee had two scheduled meetings during the year.

Nominations Committee

The Nominations Committee has two members, Peter Baker (Chairman) and Ray Duignan. The Nominations Committee considers succession planning, reviews the structure, size, skills, diversity and composition of the Board and nominates candidates to fill Board vacancies. Although the Committee met informally twice, no formal scheduled meetings of the Nominations Committee were considered necessary during the year under review.

Group Executive Committee

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

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

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

Specific methods of communication are:

- The Annual General Meeting
- The Annual Report
- Corporate website
- Broker briefings
- Broker and analyst visits to operating sites
- One-to-one meetings with investors

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

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

Peter Baker

Chairman

13 September 2019

The Directors

The Board is made of up two Executive Directors, three independent Non-Executive Directors, and the Chairman, Peter Baker, who is also considered to be independent. Zoe Morgan, an independent Non-Executive Director, stepped down from the Board on 1 July 2019. The matters overseen by the Board are detailed in section 9 of the Corporate Governance Report.



Peter Baker
Non-Executive Chairman

Peter joined the Board on 1 July 2014 and is Chairman of the Nominations Committee. Peter has over 30 years' senior CEO and Board level experience within the global bakery and consumer packaged goods industry. He 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.



John Duffy
Chief Executive Officer

John was appointed CEO of Finsbury Food Group with effect from 30 September 2009, following a year as interim COO, and has led the turnaround of an indebted Group with a market capitalisation of only €6.0 million in 2009 to the restructured and fast growing £80.0 million+ 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 £56.0 million in 2014 delivered a step change in scale to £300.0 million+ 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 e.g. 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.

The Directors



Stephen Boyd
Group Finance Director

Steve was appointed Group Finance Director in January 2010. Steve has spent 23 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.



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.



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 including with Macaw Soft Drinks and Refresco Gerber Ltd. She was appointed Nichols Plc Group Chief Executive in May 2013. Marnie chairs the Remuneration Committee.



Bob Beveridge
Non-Executive Director

Bob was appointed to the Board on 1 July 2017. He is a Chartered Accountant with extensive financial management, city and corporate transaction experience in consumer goods and technology companies, including Cable & Wireless Communications Plc, Marlborough Stirling Plc, and McBride Plc, a European private label manufacturer. For the last seven years he has been a portfolio Independent Director and Audit Committee Chairman and is currently Senior Independent Director on the Boards of Brady Plc and Inspiration Healthcare Plc. He also provides mentoring services to aspiring and existing Finance Directors via the Institute of Chartered Accountants. He chairs the Audit Committee.

Directors' Report

Background

The Group is a speciality bakery group which is 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 1 to 26.

Dividend

An interim dividend for the six months to 29 December 2018 of 1.16p per share was paid on 26 April 2019 to shareholders on the register at the close of business on 5 April 2019. Subject to shareholder approval at the Company's AGM on 20 November 2019, the final dividend of 2.34 pence per share will be paid on 23 December 2019 to all shareholders on the register at 22 November 2019.

Directors and their Interests in the Company

The Directors and brief biographies are detailed on pages 33 and 34. Zoe Morgan, an independent Non-Executive Director, stepped down from the Board on 1 July 2019.

In accordance with the Articles of Association, Marnie Millard and Bob Beveridge 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 29 June 2019 and 30 June 2018 are set out below:

Ordinary Shares	29 June 2019	30 June 2018
P Baker	96,817	86,000
R Beveridge	14,000	-
S A Boyd	1,095,543	1,065,543
J G Duffy	2,443,679	2,343,679
M Millard	9,366	9,366
Z Morgan	70,028	70,028

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 29 June 2019.

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

Share Capital

Details of the changes in the share capital of the Company during the year are set out in Note 25 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 28 August 2019:

	Number of shares	% shareholding
Ruffer (London)	22,506,605	17.3%
Investec Wealth & Investment (RS) (London)	11,661,414	8.9%
Canaccord Genuity Wealth Mgt (London)	11,541,798	8.9%
Polar Capital (London)	8,313,914	6.4%
Miton Asset Mgt (London)	7,522,108	5.8%
FIL Investment International (London)	7,061,994	5.4%
London Finance & Investment Group (London)	6,000,000	4.6%

Research and Development

Research and development (R&D) expenditure is expensed 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 a revolving credit facility, cash and liquid resources, and various items arising directly from its operations, such as trade creditors. The main purpose of these financial instruments is to finance the Group's acquisitions and operations. It is the Group's policy that no trading in financial instruments shall be undertaken.

Directors' Report

The bank facility is a £55.0 million revolving credit facility provided by a club of three banks – HSBC, Rabo Bank and RBS. The facility is available until February 2023 and also includes scope for the facility to be increased by up to a further £35.0 million.

The main risks arising from the Group's financial instruments are interest rate risk and liquidity risk. The Board reviews and agrees policies for managing these risks, which have remained substantially unchanged for the year under review. The policies are summarised below:

Interest Rate Risk

The facility totalling £55.0 million available of which £47.1 million was drawn at the balance sheet date leaving a headroom of £7.9 million plus a cash balance of £12.4 million with a further approved accordion facility of £35.0 million. The interest rate risk is managed through interest rate swap transactions. The Group has two interest rate swaps. A five-year swap from 3 July 2017 with a coverage of £20.0 million fixed at a rate of 0.455% and a three-year swap from 28 March 2019 with a coverage of £5.0 million fixed at a rate of 1.002%.

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 and liabilities are given in Note 23.

Foreign Exchange Risk

The Group uses forward foreign exchange contracts to manage its exposure to fluctuations in foreign currency rates. Full details are given in Note 23.

Diversity

Finsbury Food Group is committed to encouraging diversity, promoting a diverse culture where everyone is treated with respect and valued for their individual contribution and creating a work environment free of bullying, harassment, victimisation and unlawful discrimination. We have a Diversity Policy in place to ensure that selection for employment, promotion, development or any other benefit is on the basis of merit and ability and does not impact negatively upon diversity. It is a key objective to ensure that all employees are helped and encouraged to fulfil their potential.

Equal Opportunities

It is our policy to ensure equal opportunity in recruitment, selection, promotion, employee development, training and reward policies and we have an equal opportunities and diversity policy in place. It is a key objective to ensure that successful candidates for appointment and promotion are selected taking account of individual ability, skills and competencies without regard to age, gender, race, religion, disability or sexual orientation.

Involvement of Employees

Employees are key to the Company's success and we rely on a committed workforce to help us achieve our business objectives. Employees are encouraged to operate in an open environment, embracing teamwork and aligning personal development with the strategy of the business and their behaviours with Company values. We are keen to engage our employees by providing an environment where they can contribute their own ideas and challenge those of others. We are committed to involving employees and consider that good communication helps to achieve this. All sites have regular briefings, employee forums and communication mechanisms which are designed to keep colleagues informed of, amongst other things, the financial and economic factors that affect the Company's performance. Many sites also hold open days to allow employees' families to see the environment in which their family members work. We have also rolled out Workplace by Facebook across the Group to improve communication between employees, increase engagement and drive forward idea generation and sharing of good practices.

Political and Charitable Contributions

During the year charitable donations amounting to £9,000 (2018: £9,000) were made. No political donations were made.

Going Concern

The Group has prepared a budget for the year ended 27 June 2020 and financial projections for the following two years. The Group has a five-year debt facility to February 2023 of £55.0 million with scope for the facility to be increased by up to a further £35.0 million, providing increased capacity for the Group to explore future growth opportunities and support its long-term investment strategy. The Group has a relatively conservative level of debt to earnings. Having due consideration of the financial projections, the level of debt, and available facilities, it is the opinion of the Directors that the Group has adequate resources to continue in operation for the foreseeable future and, therefore, consider it appropriate to prepare the Financial Statements on the going concern basis. Further details are set out in the basis of preparation.

Auditors

In accordance with Section 489 of the Companies Act 2006, a resolution for the appointment of PricewaterhouseCoopers LLP as auditors is to be proposed at the forthcoming AGM.

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

The Directors' Report was approved by the Board of Directors on 13 September 2019 and was signed on its behalf by:

Stephen Boyd
Director

The Group Executive Committee

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



Ian Chree
*Group Efficiency Improvement
Director*

Ian joined Finsbury Food Group in 2005. He now has 23 years' experience in the food industry as well as 19 years' experience in process control in non-food manufacturing. Ian's first role in food was in engineering and operations for a prepared vegetable business, before moving to chilled high-care food manufacturing with Food Partners, where he was Managing Director.



Sat Hanspal
Group Purchasing Director

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



Jackie Kent
Group Human Resources Director

Jackie joined Finsbury Food Group in 2015. She has over 20 years' experience in the food manufacturing sector. Before joining Finsbury she was HR Director at Burton's Biscuit Company for a number of years and also worked in the meat processing sector. Her early roles were operational and HR positions within Rank Hovis McDougall, having completed their graduate programme. Jackie holds a BA Hons degree from the University of Leeds and a Diploma in Personnel Management as well as qualifications in occupational testing.



Frances Swallow
Group Technical Director

Frances joined Finsbury Food Group in October 2009. She has worked in the food industry for over 29 years, 19 of them at Technical Executive or Director level. Previous positions include senior roles at Greencore, Fresh-Pak, Geest Prepared Foods and United Biscuits in a range of operational, technical, manufacturing and engineering roles.



Simon Staddon
*Managing Director – Bread and
Morning Goods*

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



Lawrence Trist
Managing Director – Cake

Lawrence joined Finsbury Food Group in May 2009 as Cake Sales Director, progressing to his current role in 2015. He offers over 20 years' senior and Board-level experience in the UK FMCG industry. Before joining Finsbury, Lawrence was Director of Sales at Allied Bakeries, having been with the firm for seven years. Prior to this Lawrence had sales roles in the media industry for companies such as Shop Smart and Katz media.

Audit Committee Report

Overview

The Committee met four times during the year. The external auditors attended three meetings at the invitation of the Committee Chairman. The Committee also met with the external auditors without the presence of Executive Directors or management. During the year, in addition to its core responsibilities the Committee re-tendered the external audit.

Terms of Reference

The principle duties carried out in the year were to:

Review and monitor the integrity of the Financial Statements, reviewing significant financial reporting issues and judgements which they contain, and recommend to the Board whether the Financial Statements give a fair, balanced and understandable view of the Group's assets, liabilities and financial position.

Receive reports on and keep under review the effectiveness of the internal controls and risk management processes, carry out an annual assessment of these processes and approve statements to be included in the Annual Report concerning internal controls and risk management.

Oversee the Company's relations with the external auditors and consider and make recommendations on the appointment, reappointment and removal of the external auditors.

Monitor and review the effectiveness of the internal audit programme in the context of the overall risk management system to ensure that the internal audit is operating efficiently and effectively within the organisation, review and assess the internal audit plan and reports, recommendations and management responses.

Additional duties were to review foreign exchange, interest rate and commodity hedging policies, review and approve the Group's insurance policies, review and approve new bank facility agreements and review Health and Safety policies, practices and risk management procedures.

Financial Reporting

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

- Revenue recognition policy and the impact of IFRS 15
- Valuation of goodwill and intangible assets
- Impairment
- Pensions
- Significant non-recurring items
- The Committee considered the budget for 2020 and the business plan for 2021/22 and the debt financing arrangements at year end and concluded that the going concern basis is appropriate.

The Committee considered the future impact of IFRS 16, on lease accounting which is expected to have an immaterial impact on profit before tax but will increase assets and liabilities by circa £11-£12.0 million.

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

External Audit

The Committee considered the effectiveness of last year's external audit against five criteria, Qualification, Expertise and Resources, Effectiveness, Independence and Value. Although it concluded that the audit was effective there were several opportunities for improvement identified and the Committee decided to proceed with a re-tendering exercise.

Three firms tendered for the audit and their proposals were assessed against eleven criteria covering quality, effectiveness and value for money. PricewaterhouseCoopers LLP (PwC) were the strongest overall with a strong technology focus and the clearest plan for a high-quality audit. Accordingly, PwC were appointed to conduct the audit upon the resignation of the previous auditor and the Board is recommending their ongoing appointment at the AGM.

Independence and Non-audit Services

During the year, the fees paid to the auditors, PwC, were £193,000 (2018: nil) for audit services, and no fees in the current or previous year for non-audit services. No services were provided pursuant to contingent fee arrangements.

The Committee reviewed and considered the following factors to assess the objectivity and independence of PwC:

- The auditors procedures for maintaining and monitoring independence, including those to ensure that the partners and staff have no personal or business relationships with the Group, other than those in the normal course of business permitted by UK ethical guidance.
- The degree of challenge to management and the level of professional scepticism shown by the audit partner and the audit team throughout the process.
- The nature of non-audit work undertaken during the year and its approval in accordance with the Audit Committee's policy on non-audit services.
- A report from PwC that they have adequate policies and safeguards in place to ensure that auditors' objectivity and independence is maintained.

Audit Committee Report

Internal Audit

A programme of rolling internal control and risk reviews was monitored by the Committee together with follow up actions required. The Committee reviewed the effectiveness of internal audit procedures and agreed improved procedures in terms of review of agreed actions and planning of reviews.

Risk Management and Internal Controls

Group management prepared a report for the Committee's consideration that identified 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 reviewed this report and reported its views to the Board. Following this review, the Committee, is satisfied that the Group has in place effective internal control systems and risk management.

The principal risks and uncertainties to which the Group is exposed are set out in the Strategic Report on pages 21 and 22.

The Committee remains satisfied that the Group's system of internal control is appropriate for a Group of the size and nature of the Group and the Committee's current view is that an independent internal audit function is not required at this time. The Committee will monitor the situation as the Group continues to expand.

Bob Beveridge

Chairman of the Audit Committee

Directors' Remuneration Report (unaudited)

Statement from the Chairman of the Remuneration Committee

Dear Shareholder

I am delighted to present the Directors' Remuneration Report as Chair of the Remuneration Committee of Finsbury Food Group for the year ended 29 June 2019.

I was appointed Chair of the Remuneration Committee (the "Committee") with effect from 1 July 2019. I would like to take this opportunity to thank Zoe Morgan for her valuable contribution over the last three years to both the Board and to the Company. I wish her all the best for the future.

During 2017-18 we updated our Directors' Remuneration Policy (the "Policy") which received good support following extensive discussions with our major shareholders. The Committee believe that the Policy remains appropriate and will continue to apply in 2019-20. We have not included the Policy in this report, however a copy is available on our website at www.finsburyfoods.co.uk/investor-relations/corporate-governance, pre-faced with a summary of the limited changes which had been made to our original 2015 Policy.

The Annual Report on Remuneration which is on pages 40 to 44 provides details of the amounts earned in respect of the year ended 29 June 2019.

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

Review of the 2018-2019 Financial Year and Remuneration Outcome

As described earlier in the Annual Report, the Company has grown like for like sales and profit year on year, driven by organic growth and previously communicated new business wins despite the volatile retail environment and unprecedented input cost inflation we have experienced over the period. This robust performance has been delivered with a continuous focus on innovation using our extensive knowledge of our markets and what end consumers want.

For the financial year ended 29 June 2019, the Executive Directors were eligible for a maximum bonus award of up to 100% of base salary. The bonus was assessed against an adjusted EBITDA performance measure. As set out on page 42, based on adjusted EBITDA performance of £25.5 million, the Executive Directors did not earn a bonus for 2018-2019.

The LTIP awards granted on 29 September 2016 were based on a three year performance period ending on 29 June 2019. The LTIP awards have lapsed. EPS (50% of the total award) as at 29 June 2019 was 9.00p which was below the threshold EPS target of 10.23p; and relative total shareholder return ("TSR") performance (50% of the total award) was below the threshold target of being ranked at median against the FTSE Small Cap (excluding investment trusts).

For the purpose of our LTIP our definition of EPS is adjusted diluted EPS and for this year, adjustments include the exclusion of exceptional costs, Defined Benefit Scheme charges and fair value of interest rate swaps and foreign exchange contract charges. The Committee considered that this underlying EPS measure was a fairer reflection of the underlying earnings of the business over the last three financial years.

The Committee awarded nil-cost share options under the LTIP to Executive Directors, (and participants including senior management), during the year. The number of shares awarded to each Executive Director was equivalent to 100% of salary based on the average price of the shares over the three business days following the announcement on 17 September 2018 of the Company's preliminary results for the year ended 30 June 2018. These awards and the respective performance conditions are detailed on page 42.

Remuneration in Respect of the 2019-2020 Financial Year

The Policy as detailed on www.finsburyfoods.co.uk/investor-relations/corporate-governance will be implemented for the year ending 27 June 2020, as set out below:

Salary and Fees

The next review of Executive Directors salary will be undertaken in October 2019. It is intended that the Executive Directors' salaries will increase in line with the general increases applied to the wider workforce.

Following a review of the Chairman and Non-Executive Directors' base and additional fees. It was agreed no changes will be made to the base fee and additional fees for the Chairman and Non-Executive Directors for the year ending 27 June 2020.

Annual Bonus

No changes have been made to the bonus structure. The maximum bonus opportunity for the Executive Directors will be 100% of salary. The annual bonus will continue to be based on adjusted EBITDA performance as the Committee considers this to be the most appropriate short term measure for assessing Executive Directors' performance.

LTIP

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 it anticipated this will be EPS and TSR. The targets will be disclosed in the Remuneration Report next year. The maximum opportunity for the Executive Directors will be 100% of salary.

The Committee recognises the contribution made and the importance of retaining and motivating the Executive Directors and the wider management team. As such, the Committee is intending to grant an additional share award which will vest in three financial years from 30 June 2019. These awards will be subject to continued employment. The maximum opportunity for the Executive Directors will be 100% of salary.

Marnie Millard

Chairman of the Remuneration Committee
13 September 2019

Directors' Remuneration Report (unaudited)

The full policy can be viewed in the investor section of the website at www.finsburyfoods.co.uk/investor-relations/corporate-governance.

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 the contribution to the success of the Group and share in the success delivered to shareholders and
- Motivate the Directors to deliver enhanced sustainable performance

Unaudited Annual Report on Remuneration

Single Total Figure of Remuneration

The tables below detail the total remuneration **earned** by each Director in respect of the financial years ended 29 June 2019 and 30 June 2018:

2019	Salaries/ fees £000	Taxable benefits £000	Annual bonus £000	LTIP ¹ £000	Total remuneration £000
Executive Directors					
J G Duffy	420	12	-	-	432
S A Boyd	294	12	-	-	306
	714	24	-	-	738
Non-Executive Directors					
P Baker	85	-	-	-	85
R Beveridge	56	-	-	-	56
R P E Duignan	57	-	-	-	57
M J Millard	53	-	-	-	53
Z Morgan	59	-	-	-	59
	310	-	-	-	310
	1,024	24	-	-	1,048
2018					
Executive Directors					
J G Duffy	403	12	-	764	1,179
S A Boyd	284	12	-	555	851
	687	24	-	1,319	2,030
Non-Executive Directors					
P Baker	85	-	-	-	85
R Beveridge	54	-	-	-	54
R P E Duignan	58	-	-	-	58
M J Millard	53	-	-	-	53
Z Morgan	56	-	-	-	56
	306	-	-	-	306
	993	24	-	1,319	2,336

¹ No long-term incentive awards vested with respect to performance period ending during 29 June 2019. Long-term incentive awards vested with respect to the performance period ended 30 June 2018 are subject to a two year holding period. The LTIP values for the year ended 30 June 2018 have been updated from the prior year to reflect the actual share price value at vesting which was 116.50p per share.

Directors' Remuneration Report (unaudited)

Notes to the Table

Base Salaries

The base salaries for the Executive Directors are set with effect from 1 October each year. The salaries in the financial years ended 30 June 2018 and 29 June 2019 were as follows:

Executive Directors	From 1 October 2017	From 1 October 2018	Percentage increase
J G Duffy	£420,000	£420,000	0%
S A Boyd	£294,200	£294,200	0%

Taxable Benefits

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

Annual Bonus

The annual bonus is the total value of the bonus earned in respect of the financial year (including the amount delivered in shares). For the financial year ended 29 June 2019 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. Based on adjusted EBITDA performance of £25.5 million, the threshold adjusted EBITDA target of £27.1 million was not achieved. Thus the Executive Directors did not earn a bonus for 2018-2019.

The following table sets out the bonus pay-out to the Executive Directors for 2018-19 and how this reflects EBITDA performance for the year.

Performance measure	Actual performance	Resulting level of award for each Executive as a percentage of salary	Bonus to be paid
Earnings before interest, tax, depreciation and amortisation (EBITDA)	EBITDA £25,500,000	nil	nil

Long-term Incentives

Awards granted on 29 September 2016 were based on performance over the three financial years to 29 June 2019 and vested as to the amounts set out below. These awards are subject to a two year holding period.

	Performance conditions		Actual performance	% of this element vesting	% of award
50% of the award subject to adjusted diluted Earnings Per Share in the final year of the performance period	Adjusted diluted EPS	% vesting			
	Below 10.23p	0			
	10.23p	25%	9.00p	nil	nil
	Between 10.23p and 11.80p	Straight-line vesting			
50% of the award based upon Relative Total Shareholder Return against the FTSE Small Cap (excluding investment trusts) ("TSR") over the performance period	11.80p	100%			
	Relative TSR ranking	% vesting			
	Below median	0			
	Median	25%	Below median	nil	nil
	Between median and upper quartile	Straight-line vesting			
	Upper quartile	100%			
Total % of award vesting					nil

In arriving at the adjusted EPS out-turn of 9.00p the Committee has excluded the exceptional costs relating to restructuring and acquisitions.

	Number of shares granted	Number of shares vesting	Value of LTIP shares vesting
J G Duffy	515,464	nil	nil
S A Boyd	374,532	nil	nil

Directors' Remuneration Report (unaudited)

Chairman and Non-Executive Director Fees

Details of Chairman and Non-Executive Directors' fees for 2018-19 are as set out below:

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
£85,000	£50,000	£5,000	£2,500	£5,000	£2,500

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 29 June 2019 and 30 June 2018 were as follows:

	29 June 2019	30 June 2018
Executive Directors		
J G Duffy	2,443,679	2,343,679
S A Boyd	1,095,543	1,065,543
Non-Executive Directors		
P Baker	96,817	86,000
R Beveridge	14,000	-
R P E Duignan	-	-
M J Millard	9,366	9,366
Z Morgan	70,028	70,028

The current personal shareholdings of J G Duffy and S A Boyd equate to circa 3.9 and 2.5 times salary respectively.

The interests of the Directors and their immediate families in the Company's ordinary shares did not change between 29 June 2019 and the date these accounts were signed on 13 September 2019.

The interests of each Executive Director of the Company as at 29 June 2019 and 30 June 2018 in the Company's share Schemes were as follows:

Executive Director	Date of grant	Number of options at 30 June 2018	Granted	Lapsed	Number of options at 29 June 2019
J G Duffy	26/06/2015	1,108,881	-	-	1,108,881
J G Duffy	04/12/2015	695,095	-	(39,481)	655,614
J G Duffy	29/09/2016	515,464	-	(515,464)	-
J G Duffy	26/10/2017	410,423	-	-	410,423
J G Duffy	26/10/2017	27,777	-	-	27,777
J G Duffy	21/01/2019	-	344,262	-	344,262
S A Boyd	26/06/2015	702,825	-	-	702,825
S A Boyd	04/12/2015	505,051	-	(28,687)	476,364
S A Boyd	29/09/2019	374,532	-	(374,532)	-
S A Boyd	26/10/2017	287,492	-	-	287,492
S A Boyd	26/10/2017	27,777	-	-	27,777
S A Boyd	21/01/2019	-	241,147	-	241,147
		4,655,317	585,409	(958,164)	4,282,562

Directors' Remuneration Report (unaudited)

Details of the LTIP awards granted on 21 January 2019 are given in the table below:

	Number of shares	Basis of award*	Performance period	Performance conditions
J G Duffy	344,262	100% of salary	3 financial years from 1 July 2018	50% subject to EPS growth and 50% subject to relative TSR (further details below)
S A Boyd	241,147	100% of salary	3 financial years from 1 July 2018	

* The basis of award for the awards under the LTIP was calculated using the average price of the shares over the three business days following the announcement on 17 September 2018 of the Company's preliminary results for the year ended 30 June 2018.

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 11.50p, none of this component of the award will vest. 25% of this component will vest if adjusted diluted EPS is 11.50p with 60% vesting at 12.20p and vesting determined on a straight-line basis between these figures. 60% of this component will vest if adjusted diluted EPS is 12.20p with 100% vesting at 13.0p and vesting determined on a straight-line basis between these figures.

Vesting of 50% of the award will be based upon Relative TSR against the FTSE Small Cap (excluding investment trusts) 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.

Approval

This report was approved by the Board on 13 September 2019 and signed on its behalf by:

Marnie Millard

Chair of the Remuneration Committee

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

Report on the Audit of the Financial Statements

Opinion

In our opinion:

- Finsbury Food Group Plc's Group Financial Statements and Company Financial Statements (the "Financial Statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 29 June 2019 and of the Group's profit and cash flows for the 52 week period (the "period") then ended;
- The Group Financial Statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- The Company Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- The Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Consolidated Statement of Financial Position and Company Balance sheet as at 29 June 2019; the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement and the Consolidated and Company Statements of Changes in Equity for the 52 week period then ended; and the Notes to the Consolidated and Company Financial Statements, which include a description of the significant accounting policies.

Basis for Opinion

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

Independence

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

Our Audit Approach

Overview

Materiality

- Overall Group materiality: £1.6 million based on 0.5% of revenue
- Overall Company materiality: £0.9 million, based on 1% of total assets

Audit Scope

- We performed full-scope audit procedures in respect of the Group's largest manufacturing locations as well as Finsbury Food Group Plc
- Our audit scope also included specified audit procedures in respect of the acquisition of Ultrapharm in September 2018
- Our audit procedures covered entities contributing 86% of the Group's revenues for the period ended 29 June 2019

Key Audit Matters

- Goodwill and Company investment in subsidiaries impairment assessments (Group and Company)

The Scope of our Audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the Financial Statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key Audit Matters

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

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

Key audit matter	How our audit addressed the key audit matter
<p>Goodwill and Company investment in subsidiaries impairment assessments – Group and Company.</p> <p>At 29 June 2019, the Consolidated Statement of Financial Position includes £80.7 million of goodwill (2018: £69.2 million) and the Parent Company has fixed asset investments of £118.5 million (2018: £101.0 million).</p> <p>In accordance with the requirements of IFRS, management has performed impairment reviews in relation to the goodwill held in the Group's cash generating units (CGUs). The book values of the goodwill are supported by three year forecasts for each of the CGUs.</p> <p>The impairment reviews include significant estimates and judgements in respect of future growth rates and cash flows, the discount rate employed and profitability.</p> <p>These impairment reviews have also been used to consider the recoverability of the Company's investment in its subsidiaries.</p>	<p>We obtained the Group's cash flow forecasts supporting its assessments and challenged the appropriateness of key assumptions. We assessed the methodology used by management in performing the assessments and challenged key inputs including:</p> <ul style="list-style-type: none"> • The projected growth rates used, both over the short-term to 2022 and over the longer-term; • The discount rate used; and • Other key inputs, including the forecast margins and capital expenditure. <p>We also considered 2019 financial performance compared to budget and the performance post year end. We performed a range of sensitivity analyses to assess the impact of alternative assumptions to those used by management.</p> <p>We concur with management's assertion that no impairment charge is required in respect of goodwill or the investments in subsidiaries but identified that if management is unable to achieve planned results, this could reasonably be expected to give rise to an impairment in the future. Management has disclosed the results of sensitivity analyses in Note 11.</p>

How we Tailored the Audit Scope

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

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

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

Our audit scope also included specified audit procedures in respect of the acquisition of Ultrapharm in September 2018. This work was performed by the Group engagement team. Our audit addressed components making up 91% of the Group's revenues for the period.

Materiality

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

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

	Group Financial Statements	Company Financial Statements
Overall materiality	£1.6 million	£0.9 million
How we determined it	0.5% of revenue	1% of total assets
Rationale for benchmark applied	We determined our materiality based on revenue as this is a key metric used by management and investors and given the relative volatility of profit before tax in recent years, this was considered to be a more consistent metric.	We determined our materiality based on total assets, which is more applicable than a performance-related measure as the Company is primarily an investment holding Company for the Group.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £0.7 million and £1.5 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £79,000 (Group audit) and £44,000 (Company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

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

Conclusions Relating to Going Concern

ISAs (UK) require us to report to you when:

- The Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is not appropriate; or
- The Directors have not disclosed in the Financial Statements any identified material uncertainties that may cast significant doubt about the Group's and Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the Financial Statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.

Reporting on Other Information

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

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

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

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 29 June 2019 is consistent with the Financial Statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the Financial Statements and the Audit

Responsibilities of the Directors for the Financial Statements

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements set out on page 49, the Directors are responsible for the preparation of the Financial Statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

Use of this Report

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

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

Other Required Reporting

Companies Act 2006 Exception Reporting

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

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

We have no exceptions to report arising from this responsibility.

Jason Clarke (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff
13 September 2019

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 Company Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and 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 International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the 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 Company and of their profit or loss for that period. In preparing each of the Group and Company Financial Statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable, relevant, reliable and prudent;
- For the Group Financial Statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- For the Company Financial Statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements;
- Assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and 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.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

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.

On behalf of the Board
Stephen Boyd

Director

13 September 2019

Financial Statements

Consolidated Statement of Comprehensive Income

for the 52 weeks ended 29 June 2019 and 52 weeks ended 30 June 2018

	Note	2019 £000	2018 £000
Revenue	3	315,281	303,600
Cost of sales		(219,849)	(211,511)
Gross profit		95,432	92,089
Administrative expenses – underlying	4	(78,939)	(73,785)
Administrative expenses – significant and non-recurring	5	(1,200)	(13,067)
Operating profit		15,293	5,237
Finance income	8	77	167
Finance cost	8	(1,794)	(929)
Net finance cost		(1,717)	(762)
Profit before tax		13,576	4,475
Taxation	9	(3,283)	(1,311)
Profit for the financial year		10,293	3,164
Other comprehensive (expense)/income			
Items that will not be reclassified to profit and loss			
Remeasurement on Defined Benefit Pension Scheme	14	(332)	(172)
Movement in deferred taxation on pension Scheme liability	22	56	29
Other comprehensive expense for the financial year, net of tax		(276)	(143)
Total comprehensive income for the financial year		10,017	3,021
Profit attributable to:			
Equity holders of the Parent		9,287	2,180
Non-controlling interest		1,006	984
Profit for the financial year		10,293	3,164
Total comprehensive income attributable to:			
Equity holders of the Parent		9,011	2,037
Non-controlling interest		1,006	984
Total comprehensive income for the financial year		10,017	3,021
Earnings per ordinary shares			
Basic	10	7.3	1.7
Diluted	10	7.0	1.6

The Notes on pages 54 to 81 form an integral part of these Financial Statements.

Consolidated Statement of Financial Position

at 29 June 2019 and 30 June 2018

	Note	2019 £000	Restated 2018 £000
Non-current assets			
Intangibles	11	97,664	83,313
Property, plant and equipment	12	57,009	49,922
Other financial assets	13	28	28
Deferred tax assets	22	3,655	3,890
		158,356	137,153
Current assets			
Inventories	15	14,805	13,456
Trade and other receivables	16	49,724	44,575
Cash and cash equivalents	17	12,358	9,363
Other financial assets – fair value of derivatives	13	176	558
		77,063	67,952
Total assets		235,419	205,105
Current liabilities			
Other interest-bearing loans and borrowings	18	(335)	-
Trade and other payables	20	(55,543)	(55,598)
Provisions	21	(2,640)	(3,798)
Other financial liabilities – fair value of derivatives	13	(218)	(40)
Deferred consideration	21	(1,000)	-
Current tax liabilities		(306)	-
		(60,042)	(59,436)
Non-current liabilities			
Other interest-bearing loans and borrowings	18	(47,390)	(24,685)
Provisions	21	(3,434)	(4,623)
Deferred consideration	21	(1,824)	-
Deferred tax liabilities	22	(1,800)	(1,243)
Pension fund liability	14	(11,312)	(10,536)
		(65,760)	(41,087)
Total liabilities		(125,802)	(100,523)
Net assets		109,617	104,582
Equity attributable to equity holders of the Parent			
Share capital	25	1,304	1,304
Share premium account	24	64,956	64,956
Capital redemption reserve	24	578	578
Employee share reserve	24	(3,616)	(3,282)
Retained earnings	24	44,207	38,954
		107,429	102,510
Non-controlling interest		2,188	2,072
Total equity	24	109,617	104,582

In the prior year accounts, £24,685,000 was presented as “Current liability – other interest-bearing loans and borrowings”. This has been restated to “Non-current liabilities – other interest-bearing loans and borrowings”. Refer also to “Basis of preparation” Note.

These Financial Statements were approved by the Board of Directors on 13 September 2019 and were signed on its behalf by:

Stephen Boyd
Director

Registered Number 00204368

The Notes on pages 54 to 81 form an integral part of these Financial Statements.

Consolidated Statement of Changes in Equity

for the 52 weeks ended 29 June 2019 and 30 June 2018

	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 1 July 2017		1,304	64,956	578	(3,585)	39,862	1,887	105,002
Profit for the financial year		-	-	-	-	2,180	984	3,164
Other comprehensive (expense)/income:								
Remeasurement on defined benefit pension	14	-	-	-	-	(172)	-	(172)
Deferred tax movement on pension scheme remeasurement	22	-	-	-	-	29	-	29
Total other comprehensive expense		-	-	-	-	(143)	-	(143)
Total comprehensive income for the period		-	-	-	-	2,037	984	3,021
Transactions with owners, recorded directly in equity:								
Shares issued from EBT	25	-	-	-	303	(217)	-	86
Impact of share based payments	25	-	-	-	-	1,138	-	1,138
Deferred tax on share options		-	-	-	-	58	-	58
Foreign exchange translation differences		-	-	-	-	34	-	34
Dividend paid	26	-	-	-	-	(3,958)	(799)	(4,757)
Balance at 30 June 2018		1,304	64,956	578	(3,282)	38,954	2,072	104,582
Balance at 30 June 2018		1,304	64,956	578	(3,282)	38,954	2,072	104,582
Profit for the financial year		-	-	-	-	9,287	1,006	10,293
Other comprehensive (expense)/income:								
Remeasurement on defined benefit pension	14	-	-	-	-	(332)	-	(332)
Deferred tax movement on pension scheme remeasurement	22	-	-	-	-	56	-	56
Total other comprehensive expense		-	-	-	-	(276)	-	(276)
Total comprehensive income for the period		-	-	-	-	9,011	1,006	10,017
Transactions with owners, recorded directly in equity:								
Shares purchased through the EBT	25	-	-	-	(499)	-	-	(499)
Shares issued by the EBT	25	-	-	-	165	(165)	-	-
Impact of share based payments	25	-	-	-	-	696	-	696
Deferred tax on share options		-	-	-	-	(256)	-	(256)
Foreign exchange translation differences		-	-	-	-	250	-	250
Dividend paid	26	-	-	-	-	(4,283)	(890)	(5,173)
Balance at 29 June 2019		1,304	64,956	578	(3,616)	44,207	2,188	109,617

The Notes on pages 54 to 81 form an integral part of these Financial Statements.

Consolidated Cash Flow Statement

for the 52 weeks ended 29 June 2019 and 30 June 2018

	Note	2019 £000	2018 £000
Cash flows from operating activities			
Profit for the financial year		10,293	3,164
Adjustments for:			
Taxation	9	3,283	1,311
Net finance costs	8	1,717	762
Depreciation	12	7,366	7,041
Amortisation of intangibles	11	1,328	715
Significant non-recurring items	5	1,200	13,067
Contributions by employer to pension Scheme	14	162	(411)
Change in fair value of foreign exchange contracts	13	178	(49)
Operating profit before changes in working capital		25,527	25,600
Changes in working capital:			
Increase in inventories		(62)	(757)
(Increase)/decrease in trade and other receivables		(3,321)	6,235
Decrease in trade and other payables		(2,199)	(4,160)
Cash generated from operations before costs of disposals and acquisitions		19,945	26,918
Costs relating to closure of bakeries and acquisitions		(3,534)	(4,594)
Interest paid		(856)	(634)
Tax paid		(2,040)	(3,338)
Net cash generated from operating activities		13,515	18,352
Cash flows from investing/divesting activities			
Purchase of property, plant and equipment and intangibles		(11,016)	(12,606)
Disposal of property, plant and equipment		-	768
Purchase of companies	2	(16,915)	-
Net cash used in investing activities		(27,931)	(11,838)
Cash flows from financing activities			
Repayment of invoice discounting	19	-	(11,646)
Drawdown of revolving credit	19	22,144	25,000
Repayment of mortgage and bank loans	19	-	(8,794)
Drawdown/(repayment) of asset finance liabilities	19	828	(57)
Options exercised/(purchase) of shares by employee benefit trust		(499)	86
Dividend paid to non-controlling interest	26	(890)	(799)
Dividend paid to shareholders	26	(4,283)	(3,958)
Net cash generated from/(used in) financing activities		17,300	(168)
Net increase in cash and cash equivalents		2,884	6,346
Opening cash and cash equivalents		9,363	3,024
Effect of exchange rate fluctuations on cash held		111	(7)
Cash and cash equivalents at end of period	17	12,358	9,363

The Notes on pages 54 to 81 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 52-week period ended 29 June 2019 (prior financial year is the 52-week period ended 30 June 2018). The Group Financial Statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The Company is a public company which is incorporated, domiciled and registered in England and Wales.

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"), IFRS IC interpretations and the Companies Act 2006: The Company Financial Statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the European Union ("Adopted IFRSs"), IFRS IC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS, these are presented on pages 82 to 90.

The prior year comparatives in the Financial Statements have been restated to reflect the following prior year adjustments.

The other interest-bearing loans and borrowings within current liabilities has been reduced by £24.7 million and the other interest-bearing loans and borrowings within non-current liabilities has been increased by £24.7 million to reflect the appropriate classification of the Group's Revolving Credit Facility which has a maturity date of February 2023. This adjustment does not impact any other primary Financial Statement.

Having reviewed the Group's short and medium-term plans and available financial facilities, the Board has reasonable expectations that the Group has adequate resources to continue in operational existence for the next 12 months and the foreseeable future.

The Group meets its funding requirements through internal cash generation and bank credit facilities, which are committed until February 2023. Committed banking facilities are £55.0 million with a further accordion of £35.0 million, of which £47.1 million was drawn at the year end. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, including the possible effect of the UK's decision to withdraw from the EU, show that the Group will be able to operate comfortably within its current bank facilities. The Group has a relatively conservative level of debt to earnings. As a result, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Board reviews the Group's covenants on a regular basis to ensure that it has adequate facilities to cover its trading and banking requirements with an appropriate level of headroom. The forecasts are based on management's best estimates of future trading. There has been no breach of covenants during the year and none expected during the next 12 months. All covenant tests were passed at the year end.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in the preparation of the Financial Statements. Accordingly, the Board continues to adopt the going concern basis in preparing the Financial Statements for both the Group and the Parent Company. The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments and pension Scheme assets.

Critical Accounting Estimates and Judgements

Judgements

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

- **Basis of consolidation**

Lightbody Stretz Limited, which is 50% owned by the Group is 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%.

- **Classification of items as significant non-recurring**

The Group presents certain items as non-recurring and significant. These relate to items which, in management's judgement, need to be disclosed by virtue of their size or incidence in order to obtain a more meaningful understanding of the financial information. They reflect costs that will not be repeated and therefore do not reflect ongoing trading of business which is more meaningful to users. Group management exercises judgement in assessing each exceptional item and analysing whether the treatment of exceptional items is consistent with accounting policies and practice. Exceptional costs are analysed fully each period and audited annually.

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

Notes to the Consolidated Financial Statements

Estimates

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

• Defined Benefit Pension Scheme valuation

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

• Acquisition

A team of independent advisers are used throughout the acquisition process. External advisers are appointed to carry out specific extensive financial modelling work, legal and tax due diligence. An extensive valuation model provided by professional advisers is used in the calculation of the fair value of intangible asset. The assumptions are audited to assess whether the assumptions used are reasonable.

• Investments (including goodwill and intangibles)

The Group holds goodwill and intangibles and the Parent Company holds investments in the respective balance sheets. On an annual basis (more frequently if there are indications of impairment due to changes in market environment or changes that may affect the carrying value), the carrying values are tested for impairment, there is a risk that an impairment may not be correctly identified.

• Impairment

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

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

Further detail can be found under the significant accounting policy for intangible assets and goodwill and in Note 11.

• Provisions

The Group recognises provisions where an obligation exists at the period end date and a reliable estimate can be made. Provisions relating to the exit of the Grain D'Or leased site have been recognised in these Financial Statements. The provision relates mainly to lease costs and dilapidations. External advisers are working with a team of internal individuals during lease negotiations with the landlord, dilapidation work is progressing and the marketing of the newly refurbished properties has commenced. There are many areas of estimation, specifically around ongoing lease costs, occupancy rates and timing of occupancy. The level of provision has been based on the latest information available regarding the current state of property condition and progress on lease cost negotiations. A smaller provision exists for pension augmentation and relates to a contractual liability for pension augmentation that has been valued by the pension Scheme actuaries. See Note 14 for further details.

• Taxation

Significant judgement is exercised by management in determining the amounts to be provided for both current and deferred tax. The final tax determination of certain transactions is often uncertain and may not be known for some time in the future. The appointment of external tax advisers to calculate the provisions during the year end process will focus expertise in this area and provide an independent technical interface with the auditors. The tax position is reviewed and assumptions are challenged by the external auditors and the actual tax charge is clearly reconciled to the theoretical tax charge in the Annual Report disclosures to ensure that variances are visible and understood. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. The deferred tax asset recognised for losses relate to acquired businesses. Based on current and forecast levels of profitability, the losses are expected to be utilised within 2 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. The Group controls an entity when it is exposed, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration the potential voting rights. The acquisition date is the date on which control is transferred to the acquirer. The Financial Statements of subsidiaries are included in the consolidated Financial Statements from the date that control commences until the date that control ceases. The accounting policies of new subsidiaries are changed when necessary to align them with the policies adopted by the Group. Intra-group balances and transactions are eliminated in preparing the consolidated Financial Statements.

Lightbody Stretz Limited which is 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%.

New and Upcoming Standards

The following new standards, new interpretations and amendments to standards and interpretations are applicable for the first time for the financial year ended 29 June 2019.

- IFRS 9 “Financial Instruments” (effective 1 January 2018);
- IFRS 15 “Revenue from Contracts with Customers” (effective 1 January 2018);
- Clarifications to IFRS 15 “Revenue from Contracts with Customers” (effective 1 January 2018);
- Annual improvements to IFRS Standards 2014–2016 Cycle (effective 1 January 2018);
- Amendments to IFRS 2 “Classification and Measurement of Share Based Payment Transactions” (effective 1 January 2018); and
- IFRIC Interpretation 22 “Foreign Currency Translation and Advance Consideration” (effective 1 January 2018).

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

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. In the current year, the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. The Group has not restated comparatives.

IFRS 9 introduced new requirements for:

- The classification and measurement of financial assets and financial liabilities,
- Impairment of financial assets, and
- General hedge accounting

Applying the new requirements has not had a material impact on the Group’s consolidated Financial Statements.

The application of IFRS 9 has had no impact on the consolidated cash flows of the Group.

Applying the revised Expected Credit Losses (ECL) methodology did not result in any material change to the loss allowance recorded under IAS 39 because of the Group’s limited credit risk.

Except for the changes to impairment methodology as noted above, the remainder of the differences as a result of adoption of IFRS 9 are limited to immaterial presentational and disclosure changes.

IFRS 15 “Revenue from Contracts with Customers” was issued on 28 May 2014 and provides a unified five step model for determining the timing, measurement and recognition of revenue. The focus of the new standard is to recognise revenue as performance obligations are met rather than based on the transfer of risks and rewards. IFRS 15 includes a comprehensive set of disclosure requirements including qualitative and quantitative information about contracts with customers to understand the nature, amount, timing and uncertainty of revenue. The standard supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations. On 12 April 2016, the IASB issued amendments to IFRS 15 which clarify how to identify a performance obligation and determine whether a company is a principal or an agent.

The Group’s revenue is predominantly derived from the single performance obligations in which the transfer of risks and rewards of ownership and the fulfilment of the Group’s performance obligation occur at the same time. As part of the adoption process, the Group assessed its performance obligations underlying the revenue recognition and assessed variable considerations including rebates. The adoption of this standard did not have a material impact on the consolidated Financial Statements of the Group.

Notes to the Consolidated Financial Statements

1. Significant Accounting Policies (continued)

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

- Amendments to IFRS 9 – Prepayment Features with Negative Compensation (effective 1 January 2019);
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (effective 1 January 2019);
- Annual Improvements to IFRS 2015–17 cycle (effective 1 January 2019).

IFRS 16 “Leases” is effective for accounting periods commencing on or after 1 January 2019. The Group will apply the standard for the first time for the year ending 27 June 2020. IFRS 16 represents a fundamental change in lease accounting for lessees, because, with the exception of leases of less than 12 months duration and leases of low value assets, all leases are brought on balance sheet. The impact of this, had the Group applied IFRS 16 for the year ended 29 June 2019, is considered to have an immaterial impact on profit before tax whilst increasing EBITDA by approximately £3–£4.0 million for the year ending 29 June 2019 (the comparative year). Both Assets and Liabilities are expected to increase by £11–£12.0 million on adoption as at 29 June 2019 with an immaterial impact to Total Net Assets.

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

Business Combinations

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

Foreign Currency

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

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

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

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

Non-derivative Financial Instruments

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

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

Trade and other Receivables

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

Trade and other Payables

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

Cash and Cash Equivalents

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

Interest-bearing Borrowings

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

Notes to the Consolidated Financial Statements

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 Comprehensive Income. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The depreciation rates used are as follows:

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

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

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 Comprehensive Income 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 Comprehensive Income 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.

Notes to the Consolidated Financial Statements

1. Significant Accounting Policies (continued)

Impairment

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

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

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

Calculation of Recoverable Amount

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

Inventories

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

Employee Benefits

Defined Benefit Plans

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

Defined Contribution Plans

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

Share Based Payment Transactions

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

Revenue

Revenue 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 overrides. Revenue is recognised upon despatch of goods. The nature and timing of promotions and overrides 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. As the business evolves, the Group will continue to review transactions with customers to ensure compliance with IFRS 15: Revenue from Contracts with 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 Comprehensive Income in the period to which they relate. Any charges relating to future years are deferred and recognised in the Consolidated Statement of Comprehensive Income under cost of sales over the life of the contract.

Finance Income and Cost

Finance costs comprise loan interest payable, interest payable and finance charges on 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 the Consolidated Statement of Comprehensive Income as it accrues, using the effective interest method.

Notes to the Consolidated Financial Statements

1. Significant Accounting Policies (continued)

Taxation

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

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

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

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

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

Research and Development Expenditure

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

2. Acquisition

On 3 September 2018 the Group acquired the entire share capital of Ultrapharm Limited (Ultrapharm) for £16.9 million plus up to £3.0 million payable in annual instalments to the period to 30 June 2021 and a final incentive payment subject to performance criteria over the period to 30 June 2021. No provision has been made for an incentive payment as the criteria are not currently expected to be met. As a specialist 'Free From' bakery, the business has an extensive product range including bread, buns and rolls and other morning goods. Ultrapharm has a diverse customer base with long-term blue-chip customers, including Finsbury itself, where it supplies Free From products to Lightbody Europe.

The cash outflow under 'purchase of companies' of £16,915,000 on the face of the Consolidated Cash Flow Statement in the 52 weeks ended 29 June 2019 relates to the following:

	£000
Initial consideration	14,869
Debt settled	2,792
Cash acquired	(746)
Cash consideration (excluding acquisition costs)	16,915
Working capital adjustment	(60)
Discounted deferred consideration net of deferred taxation	2,737
Total consideration including working capital adjustment	19,592

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

	Fair value and book value £000
Acquiree's net assets at acquisition date:	
Property, plant and equipment	5,766
Stock	1,200
Trade and other receivables	2,392
Deferred tax liability	(381)
Trade and other payables	(2,652)
Net identifiable assets	6,325
Intangible	1,721
Goodwill	11,546
	19,592

The post-acquisition revenue included within these financial results amounts to £15,690,000 (including £2,584,000 of inter-company sales) and an operating profit of £295,000.

Notes to the Consolidated Financial Statements

3. Revenue and Segment Information

Operating segments are identified on the basis of the internal reporting and decision making. The Group's Chief Operating Decision Maker is deemed to be the Board as it is primarily responsible for the allocation of resources to segments and the assessment of performance by segment. The Board assesses profit performance principally through adjusted profit measures consistent with those disclosed in the Annual Report and Accounts.

The UK bakery segment manufactures and sells bakery products to UK grocery and foodservice sectors. It comprises six subsidiaries all of which manufacture and supply food products through the channels described above. These subsidiaries have been aggregated into one reportable segment as they share similar economic characteristics. The economic indicators considered are the nature of the products and production process, the type and class of customer, the method of distribution and the regulatory environment.

The Overseas segment procures and sells bakery products to European grocery and foodservice sectors. It comprises Lightbody Europe and Ultraeuropa. Ultraeuropa has manufacturing facilities in Poland where it manufactures and sells Free From bakery products into the European markets.

The Company acquired Ultrapharm on 3 September 2018, the prior year financial results include those relating to the closed bakeries, the table below shows the acquired revenue net of inter-company sales and the like for like revenue.

Revenue	UK bakery		Overseas		Total Group	
	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000
52 weeks to 29 June 2019 and 52 weeks to 30 June 2018						
Total	278,533	271,127	36,748	32,473	315,281	303,600
From acquired business	8,239	-	4,867	-	13,106	-
From closed business	336	13,354	-	-	336	13,354
Like for like	269,958	257,773	31,881	32,473	301,839	290,246

Reportable Segments	52 weeks to 29 June 2019 £000	52 weeks to 30 June 2018 £000
Revenue UK bakery	278,533	271,127
Revenue Overseas	36,748	32,473
Total revenue	315,281	303,600
Adjusted operating profit UK bakery	14,180	15,496
Adjusted operating profit Overseas	2,653	2,348
Total adjusted operating profit	16,833	17,844
Significant non-recurring and other items	(1,200)	(13,067)
Defined Benefit Pension Scheme	(162)	411
Fair value foreign exchange contracts	(178)	49
Operating profit	15,293	5,237
Finance income	77	167
Finance expense	(1,794)	(929)
Net finance cost	(1,717)	(762)
Profit before taxation	13,576	4,475
Taxation	(3,283)	(1,311)
Profit for the financial year	10,293	3,164

The Group has three customers (2018: three) which individually account for 10 percent or more of the Group's total revenue. These customers individually account for 19 percent, 12 percent and 10 percent. In the prior year these same three customers accounted for 20 percent, 13 percent and 10 percent of the revenue in the 52 weeks to 30 June 2018. In addition to the Europe sales disclosed in Reportable Segments, the Group also made sales to European markets through UK-based organisations.

Notes to the Consolidated Financial Statements

4. Administrative Expenses and Auditors' Remuneration

Included in profit are the following:

	2019 £000	2018 £000
Amortisation of intangibles	1,328	715
Depreciation of owned tangible assets	7,072	6,859
Depreciation on assets under finance leases and hire purchase contracts	294	182
Impairment of assets and goodwill	-	987
Loss on foreign exchange	166	260
Hire of plant and machinery – operating leases	765	797
Hire of other assets – operating leases	806	1,302
Movement on fair value of foreign exchange contracts	178	(49)
Research and development	1,987	1,567
Share option charges	697	1,138
Government grants	-	25
Auditors' remuneration:		
	2019 £000	2018 £000
Audit of these Financial Statements	60	60
Amounts receivable by the auditors and its associates in respect of:		
Audit of the Financial Statements of subsidiaries of the Company	133	120
Taxation compliance services	-	24
Other tax advisory	-	10
Other services	-	173

The auditors' remuneration for the current year is in respect of PricewaterhouseCoopers LLP and is in respect of KPMG LLP in the prior year with fees for other services relates to pension advisory services and services relating to information technology.

5. Significant Non-recurring Items

The Group presents certain items as significant and non-recurring. These relate to items which, in management's judgement, need to be disclosed by virtue of their size or incidence in order to obtain a more meaningful understanding of the financial information. They reflect costs that will not be repeated and therefore do not reflect ongoing trading of business which is most meaningful to users.

Included within significant non-recurring items shown in the table on page 25 of the Financial Review section are the following costs:

	2019 £000	2018 £000
Site closures – reorganisation people costs	-	2,266
Site closures – property, leases and contract costs	(152)	9,604
Site closures – legal and professional costs	-	121
Other reorganisation people costs	823	-
Impairment of assets and investments	-	373
Acquisition related costs	529	703
	1,200	13,067

The site closure provision relates primarily to the closure of the Grain D'Or site during the prior year.

Notes to the Consolidated Financial Statements

6. Staff Numbers and Costs

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

	Number of employees	
	2019	2018
Production	2,541	2,513
Selling and distribution	145	173
Administration, technical, new product development	376	302
	3,062	2,988

The aggregate payroll costs of these persons were as follows:

	2019 £000	2018 £000
Wages and salaries	72,937	68,330
Share option charges	697	1,138
Social security costs	6,828	6,469
Charge in respect of defined benefit plans	200	200
Charge in respect of defined contribution pension plans	1,681	1,372
	82,343	77,509

7. Remuneration of Directors

	2019 £000	2018 £000
Fees	310	306
Executive salaries	738	711
Bonuses and benefits	-	523
	1,048	1,540

The aggregate of emoluments and amounts receivable under long-term incentive Schemes of the highest paid Director was £432,000 (2018: £718,000), there were no Company pension contributions made to a defined contribution Scheme during the current or prior year. Bonuses include cash bonus of £nil (2018: £223,000) and shares issued with a total cost of £nil (2018: £80,000). There were no share options exercised in the period by the highest paid Director.

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

The emoluments paid to Directors were as follows:

	Fees £000	Salary £000	Benefits £000	Annual bonus £000	Year ended 29 June 2019 £000	Year ended 30 June 2018 £000
P Baker	85	-	-	-	85	85
R Beveridge	56	-	-	-	56	54
S A Boyd – paid	-	294	12	-	306	458
S A Boyd – shares	-	-	-	-	-	58
J G Duffy – paid	-	420	12	-	432	638
J G Duffy – shares	-	-	-	-	-	80
R P E Duignan	57	-	-	-	57	58
M J Millard	53	-	-	-	53	53
Z Morgan	59	-	-	-	59	56
	310	714	24	-	1,048	1,540

No shares were issued during the year to J G Duffy (2018: 74,441) or to S A Boyd (2018: 54,088). During the year awards over 585,409 shares under the long-term incentive plan (LTIP) were granted to Directors in the form of nil cost options (2018: 753,469). The vesting of the awards is conditional upon performance conditions over a three-year period commencing 1 July 2018 and are subject to a further two-year holding period.

Notes to the Consolidated Financial Statements

7. Remuneration of Directors (continued)

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

	Number of options at 29 June 2019	Number of options at 30 June 2018	Exercise price	Earliest exercise date	Exercise expiry date
S A Boyd	702,825	702,825	nil	01/07/2019	26/06/2025
S A Boyd	476,364	505,051	nil	01/07/2020	04/12/2025
S A Boyd	-	374,532	nil	30/06/2021	29/09/2026
S A Boyd	315,269	315,269	nil	02/07/2022	26/10/2027
S A Boyd	241,147	-	nil	07/07/2023	21/01/2029
J G Duffy	1,108,881	1,108,881	nil	01/07/2019	26/06/2025
J G Duffy	655,614	695,095	nil	01/07/2020	04/12/2025
J G Duffy	-	515,464	nil	02/07/2022	26/10/2027
J G Duffy	438,200	438,200	nil	30/06/2021	29/09/2026
J G Duffy	344,262	-	nil	07/07/2023	21/01/2029
	4,282,562	4,655,317			

The mid-market price of the ordinary shares on 29 June 2019 was 67.0p (2018: 117.5p) and the range during the 52-week period to 29 June 2019 was 60.0p to 127.5p (2018: 99.0p to 131.0p).

8. Finance Income and Cost

Recognised in the Consolidated Statement of Comprehensive Income

	2019 £000	2018 £000
Finance income		
Change in fair value of interest rate swaps	-	143
Interest on interest rate swap agreements	60	18
Bank interest receivable	17	6
Total finance income	77	167
Finance cost		
Interest on net pension position	(282)	(277)
Change in fair value of interest rate swaps	(382)	-
Bank interest payable	(1,130)	(638)
Interest on interest rate swap agreements	-	(14)
Total finance cost	(1,794)	(929)

Notes to the Consolidated Financial Statements

9. Taxation

Recognised in the Consolidated Statement of Comprehensive Income

	2019 £000	2018 £000
Current tax		
Current year	2,969	1,236
Adjustments for prior years	194	(93)
Total current tax	3,163	1,143
Deferred tax		
Origination and reversal of temporary differences	136	328
Adjustments for prior years	(16)	(160)
Total deferred tax	120	168
Total tax expense	3,283	1,311

Reconciliation of Effective Tax Rate

The weighted average hybrid rate of UK, Polish and French tax is 21.4% (2018: 22.5%). The tax assessed for the period is higher (2018: higher) than the hybrid rate of UK and French tax. The UK corporation tax rate for the period is 19.0% (2018: 19.0 %). The differences are explained below:

	2019 £000	2018 £000
Profit before taxation before losses from equity accounted investees	13,576	4,475
Tax using the UK corporation tax rate of 19.00%, (2018: 19.00%)	2,579	850
Overseas profits charged at different taxation rate	481	277
Non-deductible expenses	195	586
Restatement of opening net deferred tax due to rate change and differences in rates	(60)	(49)
R&D uplift current year	(90)	(100)
Adjustments to tax charge in respect of prior periods	178	(253)
Tax expense	3,283	1,311

The UK corporation tax rate reductions from 20% to 19% from 1 April 2017 and 18% from 1 April 2020 were substantively enacted on 26 October 2015. An additional reduction to 17% from 1 April 2020 was substantively enacted on 6 September 2016. The deferred tax assets and liabilities at 29 June 2019 have been calculated based on these rates.

The adjustment of £178,000 for prior year includes ineligible capital spends offset and disallowable expenses being different to the assumed levels at the time of preparation of the Annual Report.

The Company has an unrecognised deferred tax asset of £162,605 (2018: £162,605) relating to capital losses carried forward. This asset has not been recognised in the Financial Statements as it is not expected that suitable gains will arise in the future in order to utilise the underlying capital losses.

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 127,511,000 (2018: 127,611,000).

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 29 June 2019, the diluted weighted average number of shares in issue was 131,889,000, (2018: 132,162,000).

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

- Reorganisation and other significant non-recurring items
- 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
- The taxation effect at the appropriate rate on adjustments
- Amortisation of intangible assets

Notes to the Consolidated Financial Statements

10. Earnings Per Ordinary Share (continued)

	52 weeks to 29 June 2019		52 weeks to 30 June 2018	
	£000		£000	
Profit				
Profit attributable to equity holders of Company (basic)		9,287		2,180
Significant non-recurring and other items		2,021		10,344
Intangible amortisation net of deferred tax		564		446
Numerator for adjusted earnings per share calculation (adjusted basic)		11,872		12,970
	Basic '000	Diluted '000	Basic '000	Diluted '000
Shares				
Weighted average number of ordinary shares in issue during the period	127,511	127,511	127,611	127,611
Dilutive effect of share options	-	4,378	-	4,551
	127,511	131,889	127,611	132,162
	Basic pence	Diluted pence	Basic pence	Diluted pence
Earnings per share (pence per share)				
Basic and diluted	7.3	7.0	1.7	1.6
Adjusted basic and adjusted diluted	9.3	9.0	10.2	9.8

Significant non-recurring and other items net of taxation are tabled in the Strategic Report on page 25 and comprise: significant non-recurring charges £1,072,000 (2018: £10,615,000), Defined Benefit Pension Scheme charge £369,000 (2018: income £111,000) and fair value of interest rate swaps, foreign exchange contracts charge £465,000 (2018: £160,000 income) and the unwinding of deferred consideration discounting charge £115,000 (2018: nil).

11. Intangibles

Intangible assets comprise customer relationships, brands and goodwill.

	Goodwill £000	Business systems £000	Brands and licences £000	Customer relationships £000	Total £000
Cost at 1 July 2017	73,458	3,843	3,683	5,909	86,893
Additions	-	3,726	-	-	3,726
Cost at 30 June 2018	73,458	7,569	3,683	5,909	90,619
Acquired	11,546	-	-	1,721	13,267
Additions	-	2,412	-	-	2,412
Cost at 29 June 2019	85,004	9,981	3,683	7,630	106,298
Accumulated amortisation at 1 July 2017	(4,290)	-	(1,216)	(1,085)	(6,591)
Charge for the year	-	(178)	(143)	(394)	(715)
Accumulated amortisation at 30 June 2018	(4,290)	(178)	(1,359)	(1,479)	(7,306)
Charge for the year	-	(648)	(143)	(537)	(1,328)
Accumulated amortisation at 29 June 2019	(4,290)	(826)	(1,502)	(2,016)	(8,634)
Net book value at 1 July 2017	69,168	3,843	2,467	4,824	80,302
Net book value at 30 June 2018	69,168	7,391	2,324	4,430	83,313
Net book value at 29 June 2019	80,714	9,155	2,181	5,614	97,664

The customer relationships acquired during the year were purchased as part of the Ultrapharm acquisition, those recognised in the opening costs 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 between ten and fifteen years for customer relationships. The intangibles were valued using an income approach, using multi-period excess earnings method for customer relationships and Relief from Royalty Method for brand valuation. The amortisation of intangibles has been charged to administrative expenses in the Income Statement. The business systems are considered to have finite useful lives and are amortised on a straight-line basis over their estimated useful lives of ten years.

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.

Notes to the Consolidated Financial Statements

11. Intangibles (continued)

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

The Group prepares cash flow forecasts covering a three-year period based on the detailed financial forecasts approved by management for the next three years. The cash flows beyond this forecast are extrapolated to perpetuity using a 0.5% (2018: nil) growth rate on a prudent, when compared to long term UK GDP, basis, to reflect the uncertainties of forecasting further than three years. Changes in revenue and direct costs in the detailed three year plan are based on past experience and expectations of future changes in the market.

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 11% (2018: 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.

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

	2019 £000	2018 £000
Lightbody of Hamilton	45,698	45,698
Fletchers Bakery	20,118	20,118
Ultraparm	11,546	-
Nicholas & Harris	2,980	2,980
Johnstone's Food Service	372	372
	80,714	69,168

Sensitivity analyses have been carried out by the Directors on the carrying value of all remaining goodwill using pre-tax discount rates ranging between 8.0% and 12.5% which would not result in an impairment of any cash generating units. The table below illustrates the discount rate that would need to be applied for there to be zero headroom when comparing discounted cash flows against carrying amount of goodwill.

	Discount rate
Lightbody of Hamilton	18.8%
Fletchers Bakery	15.0%
Nicholas & Harris	45.9%
Johnstone's Food Service	83.5%

Further sensitivity analysis has been carried out using a range of factors such as growth rate and cost increases. These include:

- If future growth rate assumption of 0.5% was replaced with zero growth rate
- If future growth rate assumption of 0.5% was replaced with a decline of 2%

In addition, the Group has a cross-functional team which has prepared a number of strategies to minimise the impact of Brexit. We buy some commodities from Europe. Any tariffs on trade will therefore have a bearing on the Group. We have contingency planning in place, looking at alternative UK sources of products. Higher logistics and administration costs may result from border delays and could necessitate higher stock levels. We are developing labour strategies to retain and develop existing workers, attract and hire new workers and reduce labour, while boosting productivity with our capital investment program. We believe we have strategies that would minimise the impact and the Directors are satisfied with the carrying value of the cash generating units.

During the year the Group acquired a specialist Free From bakery, Ultraparm. As part of the due diligence process a comprehensive multi-function assessment was completed, utilising expert resource from across the Group as well as the existing management team against Finsbury Group standards and best practice before creating a prioritised integration action plan. Additional expert resources from across the Group have complemented management to implement the year one plan which is largely complete. Ultraparm has been tested for impairment during the reporting period and the Directors are satisfied with the carrying value of the cash generating units.

Notes to the Consolidated Financial Statements

12. Property, Plant and Equipment

	Land and buildings €000	Plant and equipment €000	Fixtures and fittings €000	Assets under construction €000	Total €000
Cost					
Balance at 1 July 2017	15,324	84,339	4,744	4,096	108,503
Additions	2,655	3,234	337	2,654	8,880
Transfers	1,917	4,099	39	(6,055)	-
Disposals	(570)	(17,805)	(57)	-	(18,432)
Balance at 30 June 2018	19,326	73,867	5,063	695	98,951
Balance at 30 June 2018	19,326	73,867	5,063	695	98,951
Exchange adjustments	-	-	(23)	-	(23)
Additions	122	6,056	225	2,201	8,604
Acquisitions	3,289	2,188	289	-	5,766
Transfers	-	264	73	(337)	-
Disposals	(157)	(30)	(96)	-	(283)
Balance at 29 June 2019	22,580	82,345	5,531	2,559	113,015
Accumulated depreciation and impairment					
Balance at 1 July 2017	(5,526)	(51,109)	(3,011)	-	(59,646)
Impairment	-	(718)	-	-	(718)
Depreciation charge for the financial period	(461)	(5,785)	(795)	-	(7,041)
Transfers	(153)	149	4	-	-
Disposals	570	17,743	63	-	18,376
Balance at 30 June 2018	(5,570)	(39,720)	(3,739)	-	(49,029)
Balance at 30 June 2018	(5,570)	(39,720)	(3,739)	-	(49,029)
Exchange adjustments	-	-	(42)	-	(42)
Depreciation charge for the financial period	(782)	(6,120)	(464)	-	(7,366)
Transfers	-	-	-	-	-
Disposals	157	190	84	-	431
Balance at 29 June 2019	(6,195)	(45,650)	(4,161)	-	(56,006)
Net book value					
At 1 July 2017	9,798	33,230	1,733	4,096	48,857
At 30 June 2018	13,756	34,147	1,324	695	49,922
At 29 June 2019	16,385	36,695	1,370	2,559	57,009

Leased Plant and Equipment

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

	2019 €000	2018 €000
Plant and equipment	1,373	-

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 18).

Notes to the Consolidated Financial Statements

13. Other Financial Assets and Liabilities

	2019 £000	2018 £000
Non-current		
Investments in equity accounted investees		
At the beginning of the financial year	-	269
Impairment	-	(269)
At the end of the financial year	-	-
Other financial assets	28	28
Current assets – derivatives		
Fair value of interest rate swaps	176	558
Fair value of foreign exchange contracts	-	-
Total of derivatives with positive fair values	176	558
Current liabilities – derivatives		
Fair value of interest rate swaps	-	-
Fair value of foreign exchange contracts	(218)	(40)
Total of derivatives with negative fair values	(218)	(40)

Investment in Associates

During the prior year the Group assessed the carrying value of its investment in Dr Zaks and in the challenging economic environment the carrying value has been fully impaired.

Interest Rate Swaps at Fair Value

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

- £20.0 million for five years from 3 July 2017 (fixed) at 0.455%
- £5.0 million for three years from 28 March 2019 (fixed) at 1.002%

There was £25.0 million coverage in place at the year end (2018: £20.0 million).

A charge of £382,000 (2018: credit £143,000) is shown in finance income for the period reflecting changes in the fair values of interest rate swaps.

Forward Foreign Exchange Contracts at Fair Value

The Group has entered into a number of forward foreign exchange contracts to minimise the impact of fluctuations in exchange rates. A charge of £178,000 (2018: credit £49,000) is shown in administrative expenses for the period reflecting changes in their fair value.

14. Pension Schemes

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

Defined Contribution Scheme

The Group made contributions in respect of its defined contribution pension arrangements of £1,681,000 (2018: £1,372,000).

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 (2018: nil), 175 deferred pensioner members (2018: 186) and 227 pensioner members (2018: 218).

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 52 weeks ended 29 June 2019 relating to Defined Benefit Pension are based on a full actuarial valuation dated 31 December 2015, alongside the initial results from the 31 December 2018.

A £200,000 contribution was paid during the financial year by Memory Lane Cakes Limited (2018: £393,000). The Group's contribution has been agreed based on the outcome of the full actuarial valuation dated 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 will be prepared as at 31 December 2018 and will be an opportunity to challenge the appropriateness of this recovery plan taking into consideration the deficit recovery contributions and actual returns realised on the pension Scheme assets. The Group has until 31 March 2020 to agree a valuation and a contribution schedule.

Notes to the Consolidated Financial Statements

14. Pension Schemes (continued)

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

In the prior year approximately 90% of the assets were held in two diversified growth funds which targeted 6 month LIBOR +5% and CPI + 5% respectively. During the year, the Trustees looked to change the investment advisory role to a fiduciary investment management role. Following an in-depth review of investment advisers, the Trustees with the full support of the sponsoring company changed its approach to appoint a fiduciary investment manager with the introduction of hedging strategies to its investment portfolio. River and Mercantile was appointed as fiduciary investment manager in December 2018 and a new Statement of Investment Principles (SIP) in compliance with the Pensions Act 1995, the Pensions Act 2004 and the Occupational Pension Schemes (Investment) Regulations 2005 was agreed in January 2019. All of the Scheme's investments meet the criteria detailed in the SIP relevant for the Scheme year to 31 December 2018. A change of investments has taken place during 2019 aligning to the new SIP. 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 £11,312,000 (2018: £10,536,000). 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.

	2019 £000	2018 £000
Fair value of plan assets	19,238	18,834
Present value of defined benefit obligations	(30,550)	(29,370)
Deficit recognised	(11,312)	(10,536)

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

	2019 £000	2018 £000
Multi-asset growth fund	14,405	-
Liability hedging portfolio (gilts/swaps)	2,256	-
Other	1,580	-
Equities/target return fund	-	16,608
Property	753	2,145
Cash	244	81
Fair value of plan assets	19,238	18,834
Actual return on plan assets	886	(251)

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.

	2019 £000	2018 £000
Movements in present value of defined benefit obligation		
At beginning of financial year	(29,370)	(30,483)
Past service costs	(362)	-
Interest on plan obligations	(784)	(805)
Benefits paid	682	1,293
Remeasurement – experience gain on liabilities	1,614	-
Remeasurement – settlement or curtailment	-	18
Remeasurement – (loss)/gain from changes to financial assumptions	(2,631)	607
Remeasurement – gain from changes to demographic assumptions	301	-
At end of financial year	(30,550)	(29,370)
Movements in fair value of plan assets		
At beginning of financial year	18,834	19,985
Interest on plan assets	502	528
Return on plan assets less interest	384	(779)
Benefits paid	(682)	(1,293)
Contributions by employer	200	393
At end of financial year	19,238	18,834

Notes to the Consolidated Financial Statements

14. Pension Schemes (continued)

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.

	2019 £000	2018 £000
Expense recognised in the Consolidated Statement of Comprehensive Income		
Past service costs	(362)	-
Interest on plan assets/finance income	502	528
Interest on plan obligations/finance expense	(784)	(805)
Total expense	(644)	(277)

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

Cumulative amount at beginning of financial year	(12,803)	(12,631)
Recognised in the financial year – return on plan assets less interest	384	(779)
Recognised in the financial year – experience gains on liabilities	1,614	-
Recognised in the financial year – (loss)/gain from changes to financial assumptions	(2,631)	607
Recognised in the financial year – gains from changes to demographic assumptions	301	-
Cumulative amount at end of financial year	(13,135)	(12,803)

	2019 %	2018 %
Principal long-term actuarial assumptions at the year end		
CPI price inflation assumption	2.4	2.3
Increases to pensions in payment	2.4	2.3
Discount rate for liabilities	2.3	2.7
Rate of return for plan assets	2.3	2.7

The differential between the assumed rate of inflation and the discount rate for liabilities is 0.1% (2018: 0.4%).

Salary inflation assumptions are as determined by the Board with regard to price inflation. The salary inflation from 31 May 2010 when the Scheme closed to future accrual was assumed to be in line with inflation.

The financial assumptions are based on market conditions as at the review date of 29 June 2019 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 5% (2018: -1.3%), the negative return that occurred in the previous year was impacted by the uncertainty and volatility in equity markets.

Changing the year end 2019 assumptions to those of 2018 year end listed above, the deficit would have been £8,982,000 compared to the reported deficit of £11,312,000.

	2019	2018
Post-retirement mortality assumption	S3NA year of birth tables with CMI 2017 projections and 1.25% pa long-term rate of improvement	S2NA year of birth tables with CMI 2015 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:

	2019	2018
Male currently at age 45	24.0	24.3
Female currently at age 45	26.3	26.6
Male currently at age 65	22.6	22.6
Female currently at age 65	24.9	24.7
Allowance for GMP equalisation (increase liabilities at the review date by):	1.2%	-

Notes to the Consolidated Financial Statements

14. Pension Schemes (continued)

Sensitivity Analysis

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

	2019
Discount rate plus 0.5%	(£2.6 million)
Discount rate minus 0.5%	£2.9 million
Inflation plus 0.5%	£2.6 million
Inflation minus 0.5%	(£2.6 million)
Life expectancy plus 1.0 years	£1.1 million
Life expectancy minus 1.0 years	(£1.2 million)

The above sensitivities are approximate and only show the likely effect of an assumption being adjusted whilst all other assumptions remain the same.

The weighted average duration of the defined benefit obligation is around 19 years.

Risk Mitigation Strategies

During the year, the Trustees changed the investment advisory role to a fiduciary investment management role, this brought about a change with the introduction of hedging strategies to its investment portfolio. River and Mercantile was appointed as fiduciary investment manager in December 2018 and a new Statement of Investment Principles (SIP) was agreed in January 2019. All of the Scheme's investments meet the criteria detailed in the SIP relevant for the Scheme year to 31 December 2018. A change of investments has taken place during 2019 aligning to the new SIP.

Effect of the Scheme on the Company's Future Cash Flows

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 will be prepared 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 £402,000 (2018: £454,000) this includes deficit recovery contributions, pension protection fund levy fees and cost of advisers. The Company expects to pay deficit recovery contributions of £200,000 in the year to 29 June 2020. The projected net interest charge to the Consolidated Statement of Comprehensive Income for the year to 27 June 2020 is £260,000. This projection assumes cash flows to and from the Scheme are broadly unchanged from the current year figures and that there will be no events that would give rise to a settlement/curtailment/past service cost.

Consolidated Statement of Financial Position

	2019 £000	2018 £000	2017 £000	2016 £000	2015 £000
Fair value of plan assets	19,238	18,834	19,985	19,287	20,587
Present value of the defined benefit obligation	(30,550)	(29,370)	(30,483)	(25,750)	(24,424)
Deficit	(11,312)	(10,536)	(10,498)	(6,463)	(3,837)
Experience adjustments on plan assets	384	(779)	712	(1,451)	656
as a percentage of plan assets	2.0%	(4.1%)	3.6%	(7.5%)	3.2%
Experience adjustments on plan liabilities	1,614	-	-	236	-
as a percentage of plan liabilities	5.3%	0.0%	0.0%	0.9%	0.0%
Total remeasurement (losses)/gains	(332)	(172)	(4,031)	(2,595)	(153)
as a percentage of plan liabilities	1.1%	0.6%	13.2%	10.1%	0.6%

Notes to the Consolidated Financial Statements

15. Inventories

	2019 £000	2018 £000
Raw materials and consumables	6,302	5,555
Finished goods	8,503	7,901
	14,805	13,456

Inventories Recognised as an Expense

	2019 £000	2018 £000
Opening inventories	13,456	12,684
Acquired	1,200	-
Purchases	135,153	138,570
Increase/(decrease) in stock provisions	292	16
Closing inventories	(14,805)	(13,456)
Expensed during the period	135,296	137,814

16. Trade and Other Receivables

	2019 £000	2018 £000
Trade receivables due from third parties	45,207	39,967
Other debtors	2,577	1,807
Prepayments and accrued income	1,940	2,282
Current tax asset	-	519
	49,724	44,575

There was no impact as a result of applying the ECL (expected credit loss) methodology under IFRS 9.

17. Cash and Cash Equivalents Including Bank Overdrafts

	2019 £000	2018 £000
Cash at bank and on hand	29,462	22,610
Bank overdraft	(17,104)	(13,247)
	12,358	9,363

18. Other Interest-bearing Loans and Borrowings

This Note provides information about the contractual terms and repayment terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost, using the effective interest rate method.

2019	Margin	Frequency of repayments	Year of maturity	Facility £000	Drawn £000	Current £000	Non-current £000
Revolving credit	1.50%/LIBOR	Varies	2023	55,000	47,144	-	47,144
Finance Lease	Various	Monthly	2023	828	828	335	493
Unamortised transaction costs					(247)	-	(247)
					47,725	335	47,390
Restated 2018	Margin	Frequency of repayments	Year of maturity	Facility £000	Drawn £000	Current £000	Non-current £000
Revolving credit	1.30%/LIBOR	Varies	2023	45,000	25,000	-	25,000
Unamortised transaction costs					(315)	-	(315)
					24,685	-	24,685

In the prior year accounts, the Revolving Credit facility and unamortised transaction costs of £24,685,000 were disclosed as "Current". Refer to "Presentation of Financial Statements – Basis of Preparation" on page 54 for more detail.

Notes to the Consolidated Financial Statements

18. Other Interest-Bearing Loans and Borrowings (continued)

Finance lease liabilities are payable as follows:

	2019			2018		
	Minimum lease payments £000	Interest £000	Principal £000	Minimum lease payments £000	Interest £000	Principal £000
2018						
Less than one year	380	45	335	-	-	-
Between one and five years	548	55	493	-	-	-
	928	100	828	-	-	-

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 23.

As part of the bank borrowing facility the Group needs to meet certain covenants every six months. There were no breaches of covenants during the year. The covenant tests required are net bank debt: EBITDA, interest cover, debt service cover and capital expenditure.

The revolving credit bank facility available for drawdown is £55.0 million plus a further £35.0 million accordion facility (2018: £45.0 million plus a further £45.0 million accordion). At the period end date, the facility utilised was £47.1 million (2018: £25.0 million), giving £7.9 million (2018: £20.0 million) headroom plus a further £35.0 million (2018: £45.0 million) accordion.

19. Analysis of Net Debt

	Note	Restated at year ended 30 June 2018 £000	Cash flow £000	At year ended 29 June 2019 £000
Cash and cash equivalents		9,363	2,995	12,358
Debt due within one year		-	-	-
Debt due after one year		(25,000)	(22,144)	(47,144)
Hire purchase obligations due within one year		-	(335)	(335)
Hire purchase obligations due after one year		-	(493)	(493)
Total net bank debt		(15,637)	(19,977)	(35,614)
Debt	18	(24,685)	(23,040)	(47,725)
Cash and cash equivalents		9,363	2,995	12,358
Unamortised transaction costs		(315)	68	(247)
Total net bank debt		(15,637)	(19,977)	(35,614)
Cash and cash equivalents		9,363	2,995	12,358
Total debt payable excluding cash		(25,000)	(22,972)	(47,972)

In the prior year accounts, the debt and transaction costs of £24,685,000 and £315,000 respectively were disclosed as "Debt due within one year". Refer to "Presentation of Financial Statements – Basis of Preparation" on page 54 for more detail.

20. Trade and Other Payables

	2019 £000	2018 £000
Current		
Trade creditors	37,162	37,210
Other creditors including taxes and social security	3,781	2,088
Accruals and deferred income	14,600	16,300
	55,543	55,598

Notes to the Consolidated Financial Statements

21. Provisions and Deferred Consideration

Provisions

	Site closure £000	Pension £000	Total £000
Balance at the beginning of the financial year	8,204	217	8,421
Utilised during the financial year	(2,329)	(18)	(2,347)
Balance at the end of the financial year	5,875	199	6,074
Current provisions	2,622	18	2,640
Non-current provisions	3,253	181	3,434

The site closure provision relates to the closure of the Grain D'Or site during the year, the provision is based on best estimates of the outcome of negotiations.

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.

Deferred Consideration

The deferred consideration relates to the acquisition of Ultrapharm Limited (Ultrapharm) for £16.9 million plus up to £3.0 million payable in annual instalments to the period to 30 June 2021.

22. Deferred Tax Assets and Liabilities

Recognised Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2019 £000	2018 £000	2019 £000	2018 £000
Intangibles	-	-	(1,325)	(1,148)
Property, plant and equipment	-	111	(415)	-
Foreign exchange contracts	37	7	-	-
Short-term temporary differences	40	-	-	(10)
Interest rate swaps	-	-	(30)	(95)
Discounting of deferred consideration	-	-	(30)	-
Pension Scheme charges	1,923	1,791	-	-
Employee share Scheme charges	574	711	-	-
Losses acquired	1,081	1,280	-	-
Tax assets/(liabilities)	3,655	3,900	(1,800)	(1,253)
Net tax assets/(liabilities)	1,855	2,647	-	-

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

Notes to the Consolidated Financial Statements

22. Deferred Tax Assets and Liabilities (continued)

Movement in Deferred Tax during the Year

	30 June 2018 £000	Acquired £000	Recognised in income £000	Recognised in equity £000	29 June 2019 £000
Intangibles	(1,148)	(291)	114	-	(1,325)
Property, plant and equipment	111	(127)	(399)	-	(415)
Foreign exchange contracts	7	-	30	-	37
Short-term temporary differences	(10)	-	50	-	40
Interest rate swaps	(95)	-	65	-	(30)
Discounting of deferred consideration	-	(54)	24	-	(30)
Pension Scheme	1,791	-	76	56	1,923
Employee share Scheme	711	-	119	(256)	574
Losses acquired	1,280	-	(199)	-	1,081
	2,647	(472)	(120)	(200)	1,855

	1 July 2017 £000	Acquired £000	Recognised in income £000	Recognised in equity £000	30 June 2018 £000
Intangibles	(1,239)	-	91	-	(1,148)
Property, plant and equipment	651	-	(540)	-	111
Foreign exchange contracts	15	-	(8)	-	7
Short-term temporary differences	73	-	(83)	-	(10)
Interest rate swaps	(71)	-	(24)	-	(95)
Pension Scheme	1,785	-	(23)	29	1,791
Employee share Scheme	460	-	193	58	711
Losses acquired	1,054	-	226	-	1,280
	2,728	-	(168)	87	2,647

The deferred tax liability in respect of intangible assets will unwind in line with the amortisation of intangible assets.

23. Financial Risk Management

The main purpose of the Group's financial instruments is to finance the Group's operations. The financial instruments comprise a revolving credit facility, hire purchase, finance leases, interest rate swaps, foreign currency forwards, cash and liquid resources and various items arising directly from its operations, such as trade receivables and trade payables. The main risks arising from the Group's financial instruments are interest rate risk and liquidity risk. The Group's policies on the management of liquidity, credit, interest rate and foreign currency risks are set out below and the main risks are also referred to in the Strategic Report on pages 21 and 22.

a) Fair Values of Financial Instruments

All financial assets and liabilities are held at amortised cost apart from forward exchange contracts and interest rate swaps, which are held at fair value, with changes going through the Consolidated Statement of Comprehensive Income. The Group has not disclosed the fair values for financial instruments such as short-term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair values.

The fair values of forward exchange contracts and interest rate swaps are determined using a market comparison valuation technique. The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments. The fair values relating to these instruments represent level 2 in the fair value hierarchy which relates to the extent the fair value can be determined by reference to comparable market values. The classifications range from level 1 where instruments are quoted on an active market through to level 3 where the assumptions used to arrive at fair value do not have comparable market data.

Notes to the Consolidated Financial Statements

23. Financial Risk Management (continued)

b) Liquidity

The Group's policy is to ensure that it has sufficient facilities to cover its future funding requirements. Short-term flexibility is available through the existing bank facilities and the netting off of surplus funds. The carrying amounts are the amounts due if settled at the period end date. The contractual undiscounted cash flows include estimated interest payments over the life of these facilities. The estimated interest payments are based on interest rates prevailing at 29 June 2019.

At year ended 29 June 2019	Carrying amount £000	Total £000	Contractual cash flows including estimated interest			
			1 year or less £000	1 to 2 years £000	2 to 5 years £000	5 years and over £000
Non-derivative financial liabilities						
Revolving credit	(47,144)	(47,394)	-	-	(47,394)	-
Finance lease liabilities	(828)	(928)	(380)	(272)	(276)	-
Trade creditors	(37,162)	(37,162)	(37,162)	-	-	-
	(85,134)	(85,484)	(37,542)	(272)	(47,670)	-

At year ended 30 June 2018 Restated	Carrying amount £000	Total £000	Contractual cash flows including estimated interest			
			1 year or less £000	1 to 2 years £000	2 to 5 years £000	5 years and over £000
Non-derivative financial liabilities						
Revolving credit	(25,000)	(25,037)	-	-	(25,037)	-
Trade creditors	(37,210)	(37,210)	(37,210)	-	-	-
	(62,210)	(62,247)	(37,210)	-	(25,037)	-

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.

In the prior year accounts, the secured bank loans of £25,000,000 were disclosed as "1 year or less". Refer to "Presentation of Financial Statements – Basis of Preparation" on page 54 for more detail.

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 controlled by assessing the credit quality of the customer, taking into account its financial position, past experience and other factors and are monitored and managed at operating level and are also monitored at Group level. Whilst there is a concentration of credit risk arising from the profile of five customers accounting for more than 50% of total revenue, the Group deems this to be low risk due to the nature of these customers. The carrying amount of the financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk for the trade receivables at the period end date was £45.2 million (2018: £40.0 million) and the ageing of trade receivables at the period end date was:

	2019 £000	2018 £000
Not past due	39,666	35,806
Past due 0-30 days	4,407	3,248
Past due 31-120 days	626	869
Past due more than 120 days	508	44
	45,207	39,967

The above numbers are net of impairment provisions. There was no impact recorded as a result of applying the ECL (expected credit loss) methodology under IFRS 9. 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 £1.1 million past due by more than 30 days is equivalent to less than two days sales (2018: £0.9 million, equivalent to less than 2 days). Details of the Company's credit risk are not disclosed because the Financial Statements of the Group disclose such details on a consolidated basis.

Notes to the Consolidated Financial Statements

23. Financial Risk Management (continued)

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 two interest rate swap arrangements in order to hedge its risks associated with any fluctuations. Details of swaps are given in Note 13.

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

	2019 £000	2018 £000
Variable rate liabilities	(47,972)	(25,000)

Swaps amounting to £25.0 million (2018: £20.0 million) limit the risk associated with the variable rate liabilities. The interest rates for the forward dated swaps are fixed at 0.455% for £20.0 million and 1.002% for £5.0 million (2018: £20.0 million fixed at 0.455%).

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.

	2019 £000	2018 £000
Profit decrease	589	250
Decrease in net assets	589	250

A 1% decrease in the base rate or LIBOR would have an equal and opposite impact of £388,000 (2018: £250,000) 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

We acquired manufacturing facilities in Poland through the Ultrapharm acquisition. The sites supply to mainland Europe with income in Euros and local costs denominated in Polish złoty. We supply UK-manufactured products to Lightbody Stretz Ltd, our 50%-owned selling and distribution business which trades in mainland Europe. We also buy a small number of commodities and capital equipment in foreign currency. As a consequence, we are exposed to fluctuations in foreign currency rates. We manage this risk by continually monitoring our exposure to foreign currency transactions. We use forward currency contracts when required and our procurement team works hard to ensure we get the best prices for commodities and equipment giving special consideration to the benefits of contracts denominated in foreign currency.

e) Debt and Capital Management

The Group's objective is to maximise the return on net invested capital while maintaining its ongoing ability to operate and guaranteeing adequate returns for shareholders and benefits for other stakeholders within a sustainable financial structure. An interim dividend for the six months to 29 December 2018 of 1.16p per share was paid on 26 April 2019 to shareholders on the register at the close of business on 5 April 2019. Subject to shareholder approval at the Company's AGM on 20 November 2019, the final dividend of 2.34 pence per share will be paid on 23 December 2019 to all shareholders on the register at 22 November 2019. 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 six months. There have been no breaches of covenant tests during the year and the gearing ratio stands at 0.4 (2018: 0.1). The gearing ratio is calculated taking the total net debt including deferred consideration over net assets.

The Group considers its capital to include share capital, share premium and capital redemption reserve.

The Group does not have any externally imposed capital requirements.

Notes to the Consolidated Financial Statements

24. 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 52.

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.

25. Share Capital

	2019 000's	2018 000's
In issue at beginning of the financial year	130,383	130,383
Shares issued	-	-
In issue at end of the financial year – fully paid	130,383	130,383
	£000	£000
Allotted, called up and fully paid		
Ordinary shares of 1p each	1,304	1,304

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. Shares are held in an Employee Benefit Trust (EBT), which is intended to be used to satisfy awards made to employees (2,704,030 shares were held at the year end). All shares are the same class with equal rights. During the year the EBT purchased 700,717 ordinary shares of 1p each in the capital of the Company ("Ordinary Shares") at a price of £0.71213 per Ordinary Share.

Share Based Payments

The Group operates both approved and unapproved share option Schemes.

The fair value is calculated at the grant date and ultimately expensed in the Consolidated Statement of Comprehensive Income over the vesting period, based on the best available estimate of the number of share options expected to vest, with a corresponding credit to reserves. Upon exercise of the share options the proceeds received net of attributable transaction costs are credited to share capital and where appropriate share premium.

There were a number of options granted during the course of the financial year to 29 June 2019 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 29 June 2019 £000	Period of expense
21 January 2019	596,757	596,757	nil	211	34	2.4 years
21 January 2019	585,409	585,409	nil	241	39	4.4 years
Charge relating to options granted in the current year					73	
Charge relating to options granted in prior years					623	
Charge included in Administrative expenses					696	

There were a number of options granted during the course of the financial year to 30 June 2018 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 30 June 2018 £000	Period of expense
26 October 2017	858,659	503,260	nil	364	83	2.7 years
26 October 2017	753,469	697,195	nil	448	102	4.7 years
Charge relating to options granted in the current year					185	
Charge relating to options granted in prior years					953	
Charge included in Administrative expenses					1,138	

Notes to the Consolidated Financial Statements

25. Share Capital (continued)

Details of share options outstanding at 29 June 2019 and movements during the year by exercise price is shown below:

Exercise price	First exercise date	Last exercise date	At 30 June 2018	Granted	Forfeited	Cancelled/ lapsed	Exercised	At 29 June 2019
nil	Sep 2018	Dec 2025	361,960	-	-	(4,682)	(279,535)	77,743
nil	Jul 2019	Jun 2025	1,811,706	-	-	-	-	1,811,706
nil	Jul 2020	Dec 2025	1,200,146	-	-	(68,168)	-	1,131,978
nil	Jun 2021	Sep 2026	889,996	-	-	(889,996)	-	-
nil	Sep 2019	Sep 2026	506,968	-	(19,101)	(487,867)	-	-
nil	Jul 2022	Oct 2027	753,469	-	-	-	-	753,469
nil	Sep 2020	Oct 2027	858,659	-	(32,935)	-	-	825,724
nil	Jul 2023	Jan 2029	-	585,409	-	-	-	585,409
nil	Sep 2021	Jan 2029	-	596,757	-	-	-	596,757
			6,382,904	1,182,166	(52,036)	(1,450,713)	(279,535)	5,782,786

A summary of share options outstanding and movements for the year to 30 June 2018 is shown below:

	At 1 July 2017	Granted	Forfeited	Cancelled/ lapsed	Exercised	At 30 June 2018
Number of options	5,042,894	1,612,128	-	(116,946)	(155,172)	6,382,904

There were 77,743 options exercisable at the period end date (2018: nil). There were 279,535 options exercised during the year (2018: 155,172). There were 1,450,713 options that lapsed during the year where performance conditions have not been met in full. The average share price at dates of exercise was 68 pence per share (2018: 115 pence per share).

The options outstanding at the year end have weighted average exercise price of nil (2018: nil) and a weighted average remaining contractual life of 1.4 years (2018: 2.0 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:

	2019	2018
Expected life of option	3.0 years	3.0 years
Volatility of share price	23%	23%
Dividend yield	4.0%	2.8%
Risk free discount rate	0.8%	0.6%
Share price at grant date	82.5p	108.0p
Exercise price	nil	nil

26. Dividends

An interim dividend for the six months to 29 December 2018 of 1.16p per share was paid on 25 April 2019 to shareholders on the register at the close of business on 6 April 2019. The amount paid was £1,474,474. A final dividend of 2.34p per share has been proposed taking the total dividend for the year to 3.5p per share. Subject to shareholder approval at the Company's AGM on 20 November 2019, the final dividend will be paid on 23 December 2019 to shareholders on the register at 22 November 2019.

During the year a dividend of £890,000 (2018: £799,000) was paid to the holders of the non-controlling interest in Lightbody Stretz Ltd.

Notes to the Consolidated Financial Statements

27. 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, Fletchers' sites in London and Manchester and Johnstone's site in East Kilbride.

During the year £1,571,000 was recognised as an expense in the Consolidated Statement of Comprehensive Income in respect of operating leases (2018: £2,099,000).

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

	Land and Buildings		Other	
	2019 £000	2018 £000	2019 £000	2018 £000
On leases which expire in:				
Less than one year	2,531	2,066	676	956
Between one and five years	6,741	6,604	593	1,023
More than five years	5,045	6,809	-	29
	14,317	15,479	1,269	2,008

28. Capital Commitments

At the financial year ended 29 June 2019, the Group had capital expenditure commitments of £105,000 (2018: £259,000).

29. Related Parties

Related Party Transactions and Directors' Material Interests in Transactions

A 50% owned subsidiary, Lightbody Stretz Ltd, paid Mr P Stretz, the Managing Director of Lightbody Stretz Ltd, £67,000 (2018: £73,000) in respect of rent for offices. No balances were outstanding at either year end.

The Group paid Enil (2018: £33,000) for the supply of finished products from and received £27,000 (2018: £32,000) 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 Enil (2018: Enil) and £3,000 (2018: £2,000) respectively.

Transactions with the Memory Lane Pension Scheme are detailed in Note 14.

Mr P Baker is a Director of Crosta & Mollica Limited. The Group sold finished product to Crosta & Mollica for a value of Enil (2018: £154,000), the amount receivable at the year end was Enil (2018: Enil).

Transactions with Key Management Personnel

Directors of the Company and their immediate relatives control 3% (2018: 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:

	2019 £000	2018 £000
Company contributions to money purchase pension Schemes	56	55
Executive salaries and benefits	1,708	1,702
Executive bonuses	-	562
	1,764	2,319

Share options held by Group Directors are set out in Note 7. Details of share options outstanding at 29 June 2019 for other key management personnel by exercise price is shown in the table below:

Exercise price	Number of options at 29 June 2019	Number of options at 30 June 2018	Earliest exercise date	Exercise expiry date
nil	259,929	-	30/09/2023	21/01/2029
nil	304,068	304,068	02/07/2022	26/10/2027
nil	-	338,951	30/09/2019	29/09/2026
nil	61,737	279,596	30/09/2018	04/12/2025
	625,734	922,615		

30. Post Consolidated Statement of Financial Position Events

There were no post consolidated Statement of Financial Position events.

31. Ultimate Parent Company

Finsbury Food Group Plc is the ultimate Parent Company.

Company Balance Sheet

at 29 June 2019 and 30 June 2018

	Note	2019 £000	Restated 2018 £000
Non-current assets			
Investments	39	118,529	101,009
Deferred taxation	40	579	712
		119,108	101,721
Current assets			
Debtors	41	45,893	43,046
Other financial assets – fair value contracts	42, 43	176	558
Cash and cash equivalents		18,075	8,305
		64,144	51,909
Creditors: amounts falling due within one year	43	(6,404)	(6,786)
Net current assets		57,740	45,123
Total assets less current liabilities		176,848	146,844
Non-current liabilities			
Other interest-bearing loans and borrowings	44	(46,896)	(24,685)
Other payables	45	(1,884)	(95)
		(48,780)	(24,780)
Net assets		128,068	122,064
Capital and reserves			
Called up share capital	46	1,304	1,304
Share premium account	46	64,956	64,956
Capital redemption reserve	46	578	578
Employee share reserve		(3,616)	(3,282)
Profit and loss account	47	64,846	58,508
Shareholders' funds		128,068	122,064

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Company statement of profit and loss. The loss for the Company for the financial year was £646,000 (2018: £1,566,000).

These Financial Statements were approved by the Board of Directors on 13 September 2019 and were signed on its behalf by:

Stephen Boyd
Director

Registration number: 00204368

The Notes on pages 84 to 90 form an integral part of these Financial Statements.

Company Statement of Changes in Equity

for the 52 weeks ended 29 June 2019 and 52 weeks ended 30 June 2018

	Note	Share capital £000	Share premium £000	Capital redemption reserve £000	Employee share reserve £000	Retained earnings £000	Total equity £000
Balance at 1 July 2017		1,304	64,956	578	(3,585)	54,747	118,000
Profit/(loss) for the financial year		-	-	-	-	(646)	(646)
Total comprehensive income for the period		-	-	-	-	(646)	(646)
Transactions with owners, recorded directly in equity:							
Shares issued from EBT		-	-	-	303	(217)	86
Impact of share based payments charge to subsidiaries		-	-	-	-	(13)	(13)
Impact of share based payments	25	-	-	-	-	1,138	1,138
Deferred tax on share options		-	-	-	-	58	58
Dividend received		-	-	-	-	7,399	7,399
Dividend paid	26	-	-	-	-	(3,958)	(3,958)
Balance at 30 June 2018		1,304	64,956	578	(3,282)	58,508	122,064
Balance at 30 June 2018		1,304	64,956	578	(3,282)	58,508	122,064
Profit/(loss) for the financial year		-	-	-	-	(1,566)	(1,566)
Total comprehensive loss for the period		-	-	-	-	(1,566)	(1,566)
Transactions with owners, recorded directly in equity:							
Shares purchased through the EBT		-	-	-	(499)	-	(499)
Shares issued from EBT		-	-	-	165	(165)	-
Impact of share based payments charge to subsidiaries		-	-	-	-	(177)	(177)
Impact of share based payments	25	-	-	-	-	696	696
Deferred tax on share options		-	-	-	-	(256)	(256)
Dividend received		-	-	-	-	12,980	12,980
Dividend paid	26	-	-	-	-	(5,174)	(5,174)
Balance at 29 June 2019		1,304	64,956	578	(3,616)	64,846	128,068

The Notes on pages 84 to 90 form an integral part of these Financial Statements.

Notes to the Company's Financial Statements

(forming part of the Financial Statements)

32. Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Financial Statements.

Basis of Preparation

The financial year was the 52 weeks ended 29 June 2019 (prior financial year 52 weeks ended 30 June 2018).

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 the 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.

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
- Key management personnel

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

The prior year comparatives in the Financial Statements have been restated to reflect the following prior year adjustments:

The other interest-bearing loans and borrowings within current liabilities has been reduced by £24.7 million and the other interest-bearing loans and borrowings within non-current liabilities has been increased by £24.7 million to reflect the appropriate classification of the Group's Revolving Credit Facility which has a maturity date of February 2023. This adjustment does not impact any other primary Financial Statement.

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. Impairment to investments is tested via impairment testing performed over goodwill, as discussed in Note 1 of the Group Significant Accounting Policies.

Foreign Currency

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

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

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

Derivative Financial Instruments

The Company has derivative financial instruments in respect of interest rate swaps and foreign exchange hedges. The Company does not hold derivative financial instruments for trading purposes. The existing interest rate swaps and foreign exchange hedges used by the Company while they function as hedges, do not meet the criteria for hedge accounting set out by 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 Comprehensive Income as finance income or cost. Changes in the market value of foreign exchange hedges have been recognised through the Consolidated Statement of Comprehensive Income within administrative costs.

Notes to the Company's Financial Statements

32. Accounting Policies (continued)

Non-derivative Financial Instruments

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

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

Trade and Other Payables

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

Cash and Cash Equivalents

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

Interest-bearing Borrowings

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

Share Based Payment Transactions

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

Taxation

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

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

Going Concern

The Group has prepared a budget for the year ended 27 June 2020 and financial projections for the following two years. The Group has a five-year debt facility to February 2023 of £55.0 million with scope for the facility to be increased by up to a further £35.0 million, providing increased capacity for the Group to explore future growth opportunities and support its long-term investment strategy. The Group has a relatively conservative level of debt to earnings. Having due consideration of the financial projections, the level of debt, and available facilities, it is the opinion of the Directors that the Group has adequate resources to continue in operation for the foreseeable future and, therefore, consider it appropriate to prepare the Financial Statements on the going concern basis. Further details are set out in the basis of preparation.

Shares held by Employee Share Trusts

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

33. Remuneration of Directors

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

34. 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	
	2019	2018
Directors and administrative staff	53	44

The aggregate payroll costs of these persons were as follows:

	2019 £000	2018 £000
Wages and salaries	4,467	4,354
Social security costs	500	465
Other pension costs	306	249
	5,273	5,068

Notes to the Company's Financial Statements

35. Share Based Payments

Details of Directors share options are set out in Note 7 of the Group's Financial Statements and details of all share options issued are set out in Note 25 to the Group Financial Statements. During the year 887,208 (2018: 496,429) of the total 1,182,166 (2018: 858,659) share options granted were issued to employees of the Company. The remaining options were granted to employees of the subsidiary companies with corresponding charges to the relevant profit and loss accounts. The total charge in the financial year to the Company for all share options relating to current and prior years was £545,000 (2018: £944,000). Credits relating to options exercised, cancelled or lapsed after vesting have also been passed to the subsidiaries during the year. The credit totalled £26,000 (2018: charge £194,000) and has resulted in a decrease (2018: increase) in the total cost of investments in the Company balance sheet. Details of Directors' share options are set out in Note 7 of the Group's Financial Statements.

36. Finance Income and Cost

Recognised in the Company Statement of Comprehensive Income

	2019 £000	2018 £000
Finance income		
Change in fair value of interest rate swaps	-	143
Inter-group recharge	426	182
Bank interest receivable	16	1
Income from interest rate swap agreements	60	2
Total finance income	502	328
Finance cost		
Change in fair value of interest rate swaps	(382)	-
Bank interest payable	(965)	(406)
Unwinding of discount on deferred consideration	(139)	-
Total finance cost	(1,486)	(406)
Net finance cost	(984)	(78)

37. Dividends

On 21 December 2018, a final dividend of 2.2p per share was paid to shareholders on the register at the close of business on 23 November 2018, the amount paid was £2,808,945. An interim dividend for the six months to 30 December 2018 of 1.16p per share was paid on 26 April 2019 to shareholders on the register at the close of business on 5 April 2019. The amount paid was £1,474,474.

A final dividend of 2.34p per share has been proposed taking the total dividend to 3.5p per share. Subject to shareholder approval at the Company's AGM on 20 November 2019, the final dividend will be paid on 23 December 2019 to all shareholders on the register at 22 November 2019.

Notes to the Company's Financial Statements

38. 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 29 June 2019.

Subsidiary	Registered address	Direct/ Indirect ownership	Country of incorporation	Class of shares held		2019	2018
Anthony Alan Foods Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Direct	England and Wales	Ordinary	£1	100%	100%
California Cake Company Ltd	73 Bothwell Rd, Hamilton, ML3 0DW	Indirect	Scotland	Ordinary	£1	100%	100%
California Cake Company (Holdings) Ltd	73 Bothwell Rd, Hamilton, ML3 0DW	Direct	Scotland	Ordinary	£1	100%	100%
Campbells Cake Company Ltd	73 Bothwell Rd, Hamilton, ML3 0DW	Indirect	Scotland	Ordinary	£1	100%	100%
Campbells Cake (Holdings) Ltd	73 Bothwell Rd, Hamilton, ML3 0DW	Direct	Scotland	Ordinary	£1	100%	100%
Dr Zak's Ltd	Unit 3 Stirling Court, Stirling Way, Borehamwood, WD6 2BT	Indirect	England and Wales	Ordinary	£1	31%	31%
Fennel Acquisition Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Direct	England and Wales	Ordinary	£1	100%	100%
Fletchers Bakeries Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Indirect	England and Wales	Ordinary	£1	100%	100%
Fletchers Bakeries Investment Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Indirect	England and Wales	Ordinary	£1	100%	100%
Goswell Enterprises Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Indirect	England and Wales	Ordinary	£1	100%	100%
Goswell Marketing Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Indirect	England and Wales	Ordinary	£1	100%	100%
Johnstone's Food Service Ltd	73 Bothwell Rd, Hamilton, ML3 0DW	Indirect	Scotland	Ordinary	£1	100%	100%
Lifestyle Healthcare Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Direct	England and Wales	Ordinary	£1	50%	-
Lifestyle Healthcare Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Indirect	England and Wales	Ordinary	£1	50%	-
Lightbody Celebration Cakes Ltd	73 Bothwell Rd, Hamilton, ML3 0DW	Indirect	Scotland	Ordinary	£1	100%	100%
Lightbody Group Ltd	73 Bothwell Rd, Hamilton, ML3 0DW	Direct	Scotland	Ordinary	£1	100%	100%
Lightbody Holdings Ltd	73 Bothwell Rd, Hamilton, ML3 0DW	Indirect	Scotland	Ordinary	£1	100%	100%
Lightbody of Hamilton Ltd	73 Bothwell Rd, Hamilton, ML3 0DW	Indirect	Scotland	Ordinary	£1	100%	100%
Lightbody-Stretz Ltd	73 Bothwell Rd, Hamilton, ML3 0DW	Indirect	Scotland	Ordinary	£1	100%	100%
Lightbody Europe SAS	14 Allée Coysevox, CS 56939, 35069 Rennes Cedex France	Indirect	France	Ordinary	£1	50%	50%
Memory Lane Cakes Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Direct	England and Wales	Ordinary	1p	100%	100%
Murray Traders Ltd	3 Inch Marnock, St Leonards, East Kilbride, South Lanarkshire, G74 2JQ	Indirect	Scotland	Preference	£1	10.5%	10.5%
Nicholas & Harris Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Indirect	England and Wales	Ordinary	£1	100%	100%
Storesurvey Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Direct	England and Wales	Ordinary	£1	100%	100%
Ultraparm Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Direct	England and Wales	Ordinary	£1	100%	100%
Ultraeuropa SP. z o.o.	Maes-y-coed Rd, Cardiff, CF14 4XR	Indirect	Poland	Ordinary	£1	100%	100%

Notes to the Company's Financial Statements

39. Investments

	£000
Cost	
At beginning of financial year	101,009
Additions	(26)
Acquisition	17,546
At end of financial year	118,529
Net book value	
At 29 June 2019	118,529
At 30 June 2018	101,009

The additions relate to share option credit of £26,000 (2018: £182,000 charge) passed down to individual subsidiaries. The acquisition amount relates to the initial consideration paid and deferred consideration payable for the acquisition of Ultrapharm Limited.

40. Deferred Tax

Recognised deferred tax assets and liabilities:

	Assets		Liabilities	
	2019 £000	2018 £000	2019 £000	2018 £000
Employee share Scheme charges	574	712	-	-
Interest rate swaps	-	-	(30)	(95)
Discounting of deferred consideration	-	-	(30)	-
Short-term temporary differences	5	-	-	-
Tax assets/(liabilities)	579	712	(60)	(95)
Net tax assets	519	617		

The deferred tax asset at 29 June 2019 has been calculated based on the rate of 17% substantively enacted at the balance sheet date.

Movement in Deferred Tax during the Year

	30 June 2018 £000	Acquired £000	Recognised in income £000	Recognised in equity £000	29 June 2019 £000
Employee share Scheme	712	-	118	(256)	574
Interest rate swaps	(95)	-	65	-	(30)
Discounting of deferred consideration	-	(54)	24	-	(30)
Foreign exchange contracts	-	-	5	-	5
	617	(54)	212	(256)	519

Movement in Deferred Tax during the Prior Year

	1 July 2017 £000	Recognised in income £000	Recognised in equity £000	30 June 2018 £000
Employee share Scheme	460	194	58	712
Interest rate swaps	(71)	(24)	-	(95)
Foreign exchange contracts	(25)	25	-	-
	364	195	58	617

Notes to the Company's Financial Statements

41. Debtors

	2019 £000	2018 £000
Amounts owed by Group undertakings	45,533	42,907
Other taxation	95	63
Prepayments and accrued income	265	76
	45,893	43,046

Amounts due from Group undertakings are classified as current as they are repayable on demand.

42. Forward Foreign Exchange Contracts at Fair Value

There were no forward currency contracts in place in the Company at the year end. At the year ended 30 June 2018 the Company had entered into a number of forward foreign exchange contracts to minimise the impact of fluctuations in exchange rates. A credit of £49,000 was included in administrative expenses for the prior year period reflecting changes in their fair value.

43. Creditors: Amounts Falling Due Within One Year

	2019 £000	Restated 2018 £000
Trade creditors	146	111
Amounts due to Group undertakings	20	20
Corporation tax	62	106
Other taxes and social security	156	151
Accruals and deferred income	5,020	6,398
Deferred consideration ¹	1,000	-
	6,404	6,786

¹ Deferred consideration is the consideration payable for the Ultrapharm acquisition payable in annual instalments to 30 June 2021.

Amounts due to Group undertakings are classified as current as they are repayable on demand.

In the prior year accounts, the combined Revolving Credit facility and transaction costs of £24,685,000 were disclosed within the above table as "Amounts Falling Due Within One Year". Refer to "Presentation of Financial Statements – Basis of Preparation" on page 54 for more detail.

Other Financial Liabilities – Fair Value Interest Rate Swaps

The Company has two interest rate swaps. A five-year swap from 3 July 2017 with a coverage of £20.0 million fixed at a rate of 0.455% and a three-year swap from 28 March 2019 with a coverage of £5.0 million fixed at a rate of 1.002%. There was 53% coverage at year end (2018: 80%).

A charge of £382,000 (2018: £143,000 credit) is shown in finance expenses (2018: income) for the year 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.

44. 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 23.

2019	Currency	Margin	Frequency of repayments	Year of maturity	Facility £000	Total £000	Current £000	Non-current £000
Revolving credit	GBP	1.5%/LIBOR	Varies	2023	£55,000	47,144	-	47,144
Unamortised transaction costs						(248)	-	(248)
						46,896	-	46,896

Restated 2018	Currency	Margin	Frequency of repayments	Year of maturity	Facility £000	Total £000	Current £000	Non-current £000
Revolving credit	GBP	1.3%/LIBOR	Varies	2023	£45,000	25,000	-	25,000
Unamortised transaction costs						(315)	-	(315)
						24,685	-	24,685

Notes to the Company's Financial Statements

44. Interest-bearing Loans and Borrowings (continued)

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.

In the prior year accounts, the combined Revolving Credit facility and transaction costs of £24,685,000 were disclosed as "Current". Refer to "Presentation of Financial Statements – Basis of Preparation" on page 54 for more detail.

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

	2019 £000	2018 £000
Deferred consideration	1,824	-
Deferred tax liability	60	95
	1,884	95

Deferred consideration is the consideration payable for the Ultrapharm acquisition payable in annual instalments to 30 June 2021.

46. Called Up Share Capital

Note 25 in the Group Financial Statements gives details of called up share capital.

47. 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 52 with definition details in Note 24 to the consolidated Financial Statements.

48. Contingent Liabilities

The Company has guaranteed the overdrafts of its subsidiaries; there was a net cash position at the year end of £12,358,000 (2018: £9,363,000).

49. Related Party Disclosures

Note 29 in the Group's Financial Statements gives details of related party transactions.

50. 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 23 in the Group's Financial Statements and also referred to in the Strategic Report.

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