

Better... Together

Annual Report & Accounts 2020



Better... positioned for future growth

We continue to create and supply high-quality bread and cakes through a variety of brands and channels.

We supply major retailers and the foodservice channel across the UK, and in Europe, with proprietary, own brand and licensed brand bread and cakes.



Find out more

www.finsburyfoods.co.uk

Investors

Annual Reports

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Our Business

We have continued to serve a diverse mix of customers.



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Our 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.



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Better Progress Toward Growth

As we reported in our interim results in February, the first half of the financial year was a period of encouraging progress for the Group.

Peter Baker

Non-Executive Chairman

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Engaging with Stakeholders

This section serves as our section 172 statement and should be read in conjunction with the Strategic Report and the Company's Corporate Governance Statement.

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Quality and Innovation

The Health targets are part of our development process. Over 98% of our products achieve the FSA salt targets, and we are making good progress in all categories to reduce sugar in line with PHE targets.



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Market Review

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



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Better Adapting to Change

I am pleased with how the business has coped, really illustrating the strength of our Group and commitment of our teams.

John Duffy

Chief Executive Officer

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Growth with Our Partners

Customers, licence owners and suppliers are our partners, and we work with them to create a constant stream of high-quality, innovative products.

Strategic Report

Highlights

Resilient Group Revenue

Summary

Resilient Group revenue of £306.3 million.

Adjusted^{*1} EBITDA down 4.4% to £24.4 million (up 2.8% to £26.2 million including impact of first-time adoption of IFRS16 of £1.8 million).

Adjusted^{*1} profit before tax is £13.9 million which is before significant and non-recurring items of £10.3 million.

Adjusted Basic EPS^{*2} 7.9p.

Net bank debt of £26.5 million, decreased by £9.1 million (2019: £35.6 million) at 1.1 times annualised EBITDA of the Group (2019: 1.4 times).

The impact of the first-time adoption of IFRS 16 will be to increase operating profit by £0.1 million, interest costs by £0.2 million, EBITDA by £1.8 million, debt of £11.8 million (previously operating leases under IAS 17) and assets of £9.4 million.

Strategic Highlights

The business has proven to be resilient, responding quickly to Covid-19 to deliver a robust trading performance.

Covid-19 and resultant lockdown had an immediate and adverse impact on Group revenue and profit.

- Foodservice business adversely impacted;
- Retail business had winners and losers depending on subsector; and
- Polish business struggled with fall in demand and logistics barriers.

Responded rapidly to create a safe working environment for our employees.

Continued focus on driving productivity and efficiency.

- Integrated IT system embedded in all manufacturing sites (excluding Ultrapharm);
- Implementation of Group-wide review and standardisation of bakery processes leading to improved quality and reduction of waste; and
- Systematic focus on quality with a 10% reduction in complaints year on year.

Opening of new gluten free bakery in Poland to expand capacity for the continental market.

Further innovation in line with consumer trends with the launch of:

- BOSH! branded plant based, vegan friendly whole cakes and celebration cakes;
- Celebration Cake factory now nut free with re-engineered character licensed celebration cakes;
- New Line of Harry Potter licensed cakes;
- Growing gluten free cake range rolled out across new retail customers; and
- Artisan sourdough bread range expanded into new retail customers.

Continued development of HomeSafe programme with 15% decrease in number of accidents during the year.

Implementation of Group-wide environmental framework in line with ISO14001.

Product excellence illustrated by the winning of several Quality Food and Drink 'Q' Awards.

In order to understand the business performance, adjusted measures for the Group are presented, which exclude the impact of significant non-recurring items and new accounting standards to present adjusted EBITDA, operating profit and profit before tax. The analyses below show the movement from Adjusted to Statutory measures, the figures are for the 52 weeks ended 27 June 2020 and 52 weeks ended 29 June 2019:

Adjusted EBITDA	2020 £000	2019 £000
Adjusted EBITDA excluding IFRS 16 impact	24,408	25,527
IFRS 16 lease costs	1,840	-
Adjusted EBITDA including IFRS 16 impact	26,248	25,527
Significant non-recurring items		
– Reorganisation (Note 4)	(1,594)	(1,200)
Significant non-recurring items – Impairment of goodwill and non-current assets (Note 4)	(8,737)	-
Difference between defined benefit pension scheme charges and cash cost	200	(162)
Movement in the fair value of foreign exchange contracts	(73)	(178)
Adjustments, significant non-recurring and other items	(10,204)	(1,540)
EBITDA	16,044	23,987

Adjusted Operating Profit	2020 £000	2019 £000
Adjusted operating profit excluding IFRS 16 impact	14,833	16,833
IFRS 16 impact on operating profit	106	-
Adjusted operating profit including IFRS 16 impact	14,939	16,833
Significant non-recurring items – reorganisation (Note 4)	(1,594)	(1,200)
Significant non-recurring items – impairment of goodwill and non-current assets (Note 4)	(8,737)	-
Difference between defined benefit pension scheme charges and cash cost	200	(162)
Movement in the fair value of foreign exchange contracts	(73)	(178)
Adjustments, significant non-recurring and other items	(10,204)	(1,540)
Operating profit	4,735	15,293

Adjusted Profit Before Tax	2020 £000	2019 £000
Adjusted Profit before tax excluding IFRS 16 impact	13,869	15,919
IFRS 16 impact on profit before tax	(141)	-
Adjusted profit before tax including IFRS 16 impact	13,728	15,919
Significant non-recurring items – (Note 4)	(1,594)	(1,200)
Significant non-recurring items – impairment of goodwill and non-current assets (Note 4)	(8,737)	-
Difference between defined benefit pension scheme charges and cash cost	(56)	(444)
Movement in the fair value of foreign exchange contracts	(73)	(178)
Discounting of deferred consideration	(14)	(139)
Movement in the fair value of interest rate swaps	(386)	(382)
Adjustments, significant non-recurring and other items	(10,860)	(2,343)
Profit before tax	2,868	13,576

^{*1} Profit is before significant non-recurring and other items.

^{*2} 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.

Adjusted EBITDA, operating profit and profit before tax exclude significant and non-recurring and other items as shown in the tables above. 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.

Group Performance Measures (excluding IFRS 16)

Group Revenue

£306.3m 

down 2.8%

Adjusted EBITDA^{*1}

£24.4m 

down 4.4%

Adjusted Operating Profit^{*1}

£14.8m 

down 11.9%

Adjusted Operating Profit^{*1} Before Tax

£13.9m 

down 12.9%

Adjusted EPS

7.9p 

down 15.1%

Capital Investment

£4.7m 

down 57.3%

Net Bank Debt

£26.5m 

down 25.6%

Group performance measures have been calculated including and excluding the impact of the first time adoption impact of IFRS 16. This is to allow year-on-year comparability of the key performance measures. Statutory measures include first time adoption impact of IFRS 16.

The impact of first time adoption of IFRS 16 is as follows:

Group Performance Measures (including IFRS 16)

*2

Adjusted EBITDA^{*1}

£26.2m 

up 2.8%

Adjusted Operating Profit^{*1}

£14.9m 

down 11.3%

Adjusted Operating Profit^{*1} Before tax

£13.7m 

down 13.8%

Adjusted EPS

8.0p 

down 14.0%

*2

Net Debt (incl. leases)

£38.3m 

up 7.6%

Statutory Measures

*2

EBITDA

£16.0m 

Operating Profit

£4.7m 

Profit Before Tax

£2.9m 

Basic EPS

(0.6)p 

*2

Net Debt (incl. leases)

£38.3m 

	27 June 2020 £000
Net increase in operating profit	106
Increase in interest costs	(247)
Net increase in PBT	(141)
Net increase in EBITDA	1,840
Increase in debt	(11,823)
Increase in assets	9,434

*1 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 EBITDA, operating profit and profit before tax tables on the previous page and the tables in the Financial Review Section. APMs are disclosed 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, excluding amortisation of intangibles, significant non-recurring and other items as shown in the tables above net of associated taxation. In the opinion of the Board, the adjustments made will allow shareholders to gain a clearer understanding of the trading performance of the Group.

*2 Measures that do not vary are shown in the first column only.

Our Business

We have continued to serve a diverse mix of customers...

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 customers. The split of manufacturing, products and customers is shown below.

Manufacturing

Finsbury Food Group includes eight manufacturing facilities and bakery companies and one distribution company.

Fletchers Bakeries

Sheffield

Johnstone's Foodservice

East Kilbride

Kara Foodservice

Manchester

Lightbody of Hamilton

Hamilton

Memory Lane Cakes

Cardiff

Nicholas & Harris

Salisbury

Ultrapharm UK

Pontypool

Ultrapharm Poland

Rybarzowice and Żywiec, Poland

Lightbody Europe (Distribution Company)

Rennes, France

Our Customers

Our UK bakery segment supply 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 businesses have a meaningful presence in the retail sector 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.



...building strong brand relationships within retail sectors.

Our Products

We make a wide range of Cake and Bread products to serve the UK retail and foodservice markets. Our Cake products are retailer own label and licensed brands, our Bread products are retailer/ wholesaler own label with our Kara foodservice brand representing a significant proportion of our total foodservice business.

Bread, Morning Goods and Cakes

- Speciality breads
- Buns and rolls
- Celebration cakes
- Sharing cakes
- Snacking cakes
- Gluten Free Bread, Morning Goods and Cakes

Kara 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 and single serve cakes focusing on the latest consumer trends.

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 21st 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 5th biggest brand within the Cake category and the biggest single brand in celebration cake overall.

Mary Berry

We continue to work closely with Mary on NPD particularly with our sharing and celebration range of cakes. The Mary Berry range of cakes has now established itself as a core range of products at retailers.

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 Milky Way. 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 (comprising a number of recognisable brands) is now the largest branded range within the cake category.

BOSH!

We have joined forces with the BOSH! brand and created a number of delicious plant-based, vegan-friendly ranges of sharing, celebration and Food to Go cake products. The driving forces behind the BOSH! brand are friends Henry Firth and Ian Theasby who have become the voice of vegan cooking. They have launched an online vegan channel watched by an audience of millions across the UK and Worldwide and have written multiple top 10 bestselling vegan cook books. Most recently they have a vegan cookery show on Sunday mornings on ITV. The brand is now on target to be the biggest vegan-based brand within the cake 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 cupcakes. The Baileys product range is now an integral brand for our business.

Character Licensed Portfolio

Finsbury has a broad portfolio of character based licensed brands that meet a broad age demographic and 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.

Across the year we have continued to strengthen our core evergreen product range, by keeping our product offering fresh and innovative from pre-school through to teen/adult. This has also been further supported by the expansion of our core range of licenses, through our Disney and Warner Bros. partnership in the form of Frozen 2, Princesses, Cars and Harry Potter respectively. Also further supported with the introduction of new licenses partnerships through Mario Bros., Hey Duggee and Nerf. We are also proud to say that our core range of licensed birthday cakes are now Nut Free and clearly marked on the pack.

Vogel's

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 stonground 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 subcategories:

- 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 cake and bread products 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 £965.0 million (source: IRI, 52 w/e 20th June 2020). We trade across all categories, with large presences in the Celebration, Sharing and Seasonal categories.

Bread

The annual retail bread and morning goods market has a value of £4.7 billion (source: Kantar Worldpanel 52 w/e 19th April 2020). This market is further divided as plant bread (£1.6 billion) and the rest, bread and morning goods (B&MG) (£3.1 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 £137.0 million (source: Kantar Worldpanel 52 w/e 19th April 2020). The retail Free From cake market is valued at £52.0 million (source: Kantar Worldpanel 52 w/e 17th May 2020).

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 £587.0 million per annum (source: Derived from MCA data 52 weeks to 31 December 2019). We have a significant presence in this sector, primarily with our buns and rolls business and with our Kara brand.

The UK foodservice cake and sweet treat bakery sector is worth approximately £765.0 million per annum (source: Derived from MCA data 52 weeks to 31 December 2019). Our presence in this sector is primarily within the coffee chains and, through the larger wholesalers, restaurants and pubs.

Overseas

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

Broad Consumer Trends

Innovation and product development are 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. One of the key macro consumer trends that continues to grow in relevance and importance has been health and wellbeing. Consumers continue to look for products that help them to lead a healthier lifestyle whether that be via 'better for you' products or by making better ethical and environmental choices. This trend is evident across grocery and our markets are no exception. Relevant significant market trends have been categorised as follows:

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 needs 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 2022 (IGD August 2020). The convenience channel is also forecast to see strong growth.

Out-of-home

In the out-of-home market, volume growth has declined, driven by Covid-19 which has weakened consumer confidence, meaning 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, 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. Our Cake business has responded to this trend in a number of ways:

Nut Free

The Free From cake market has been growing strongly over the last few years. It is now valued at £52.0 million and grew by +12% in the last year (Source: Kantar Worldpanel 52 w/e May 2020), significantly outperforming the wider cake market. Nut-free products are an important part of the wider Free From market and medical research has shown that the number of people in the UK with a nut allergy continues to grow. Our own consumer research revealed that more than a quarter of the 2,000 people we spoke to had or knew someone that had a nut allergy. Our research also concluded the allergy of most concern for shoppers when buying a Celebration Cake was nut. As the UK's leading manufacturer of celebration cakes, we felt it was important to take a lead on this growing issue and have therefore invested significantly in our Celebration Cake bakery in Hamilton over the last year to turn it into a fully nut-free site. From May 2020 we started to roll out a range of character licensed based products, all clearly marked with our unique Nut Free logo on pack. The range includes some of our most popular licenses including Disney Frozen, Spiderman, Harry Potter, Batman and Peppa Pig which are all now available to a wider audience than before thanks to their nut-free status.

Healthier Choices

We have also relaunched our WW cake brand to cater for the needs of consumers looking for a range of cakes with lower sugar and calories in every serving. The new WW products come in a range of three flavours and have been developed to offer the shopper a more permissible cake treat. The products are under 100 calories per slice and declared as a source of fibre which is based on what consumers are looking for as part of a balanced diet. WW, formerly known as Weight Watchers, was rebranded two years ago and is now positioned as a wellbeing brand that is inclusive to everyone's lifestyle.

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 (February 2020) forecasts for the total UK Free From Market to grow to £1.30 billion by 2024 from £934.0 million in 2019. 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 £191.0 million and has grown +10% year on year (source: Kantar Worldpanel 52 w/e 24th May 2020).

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.

**Pastime**

One of the growing trends in licensing has been the rise of gaming brands. This may well have been accentuated by the Covid-19 pandemic where more time has likely been spent on gaming activities in and out of the home vs. other leisure pursuits such as going to the cinema. To capitalise on this evolving trend and as part of our strategic commitment to growing licensed brands in Celebration Cake we have signed partnerships with X-Box, Mario and Nerf. This area of gaming is popular respectively both in and out of the home and where we have identified consumer demand within our category for game based licensed themed products.

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.



Our challenge is to maintain a dynamic product portfolio that matches and satisfies macro consumer trends and niches. One of the key macro consumer trends that continues to grow in relevance and importance has been health and wellbeing.

£6.2 billion
value of the UK bakery markets

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 offer 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; and
- 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.





1. Operating Excellence

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



2. Sustainable Approach

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



3. Quality and Innovations

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



4. Cost Effectiveness

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



5. 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.



6. 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

1. Operating Excellence



- Our Operating Brilliance program has a number of workstreams that deliver Operating Excellence:
 - Process Blueprint is a product design framework delivering quality and efficiency. A standardised process across all bakeries with results evidenced by increased efficiencies and lower waste;
 - The Engineering Forum with common engineering standards and approach across all bakeries. This forum embraces the asset care programme optimising the performance of our production assets;
 - The newly formed Operational Forum to retain the momentum from the initiatives and forum above; and
 - A newly formed Supply Chain Forum with a view to optimising inbound and outbound material and product flow.
- 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 frozen doughball line targeted at the foodservice sector; and
 - New gluten-free bakery in Poland with modern travelling ovens, improving capacity and efficiency.
- Optimisation of Group-wide common IT platform.

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 1.1x.

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, France and throughout Europe.
- Known brand in foodservice in the UK.
- Licence arrangements with brand owners in the UK and in Europe.

2. Sustainable Approach



- Following successful trial on localised energy monitoring, which resulted in a 10% reduction of energy, this initiative is being rolled out across the business. All key assets in all bakeries will have localised energy monitoring in place to enable measurement of key energy reduction projects.
- We continue to drive conversion to LED lighting across the Group, making progress at all sites with a group conversion rate of around 60% to date.
- We have engaged with specialist group-wide providers in waste management to drive our zero waste to landfill target across all sites by the end of 2020 and are working with WRAP to identify further opportunities to reduce waste at source. Our Operating Brilliance programme has focussed on waste reduction, delivering some significant benefits. For example, work in this area has delivered a 25% YOY reduction in waste at one of our bakeries.
- Continuing to drive plastics reduction by optimising pack sizes wherever possible. Significant work undertaken to ensure all plastics are recyclable. Currently almost all our plastic packaging is recyclable with almost 80% of it being readily recyclable in the UK.

3. 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.
- Manufacturing Process Blueprint embraces the production of high-quality premium products.
- 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.

 See pg 24-25
For more information

Creating Value

Value for Shareholders

Using our Operating Principles achieves our Purpose and Strategy, creating long-term shareholder value through share price growth and attractive dividends. Following the outbreak of Covid-19, cash conservation was a priority and as a result the interim dividend was cancelled. Other initiatives included tighter control over Capital Expenditure and all discretionary spend. All directors and the GEC took a 30% and 20% (respectively) reduction in salary in April to June. The reduction in debt with the debt to EBITDA ratio being 1.1x at the year end is testimony to the success of the initiatives taken and to the strength of the Company's balance sheet.

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

- Structured people strategy to attract and retain employees and to provide training

to ensure they are all given the skills required for their role.

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

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.

4. 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.

 See pg 28-29
For more information

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 food service partners, by our growing presence in the

5. 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 food service range of products sees us as the leading foodservice partner.
- 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.

 See pg 34-35
For more information

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

6. 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.
- Workplace by Facebook communication tool is transforming communication with employees and between 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.

 See pg 38-39
For more information

potential and develop skills, facilitating personal development and advancement.

Our 'People Who Care' Operating Principle, and initiatives that support it, reflect 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 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.

Better... progress toward our ambitions



It is important the pandemic does not overshadow the significant operational progress the Company has continued to make, which will stand it in good stead to deliver on its longer-term growth ambitions.

A resilient performance

£306.3m

Group Revenues
2019: £315.3m

£24.4m

Adjusted EBITDA
(excluding £1.8m uplift from first time adoption of IFRS 16 leases)



As we reported in our interim results in February, the first half of the financial year was a period of encouraging progress for the Group, with the benefits of our long-term investment programme and operating initiatives coming on stream. Indeed, this continued through until almost the end of our third quarter.

The outbreak of the coronavirus, with the consequential lockdown in March, had a major impact on businesses across the UK and Finsbury was no exception. Food was suddenly consumed almost entirely in the home. The demand profile across our product portfolio underwent rapid change and we had to act decisively and adapt quickly to continue producing food products in a way that kept our colleagues safe, whilst at the same time protecting the long-term sustainability of the business.

There are now encouraging signs that we are moving in the right direction once again, after a challenging few months. However, it is important that the pandemic does not overshadow the significant operational progress the Company has continued to make, which will stand it in good stead to deliver on its longer-term growth ambitions, once more normal trading patterns return.

A Resilient Performance

Considering the extent of the impact of the pandemic from March, the financial performance for the year was a very credible one. Group revenues were £306.3 million (2019: £315.3 million), adjusted EBITDA was £24.4 million (excluding £1.8 million uplift from first time adoption of IFRS 16 leases). We have impaired assets by £8.7 million, considered to be overvalued considering their expected cash generation, delivering a profit before tax of £2.9 million (see Note 10).

From the start of our new financial year, strong sales growth, profit and cash generation were driven by ongoing delivery against our strategy of selling an ever-expanding and diverse range of innovative products through a broad range of channels while seeking opportunities to drive increased productivity and efficiency. This pattern continued until the nationwide lockdown in March.

Since then sales in the largest part of our business, Retail, have remained relatively resilient and have continued to recover month by month since April. Everyday bakery

products such as rolls proved popular but demand for celebration cakes was more subdued as a result of lockdown restricting social gatherings. It is hard to overstate the magnitude of the impact the outbreak of the pandemic had on our foodservice and food-to-go division, which in the prior financial year was 20% of sales turnover. Their end markets suddenly disappeared, almost completely, as restrictions on travel were introduced and consumer behaviour was thrust into uncharted territory. Encouragingly, this improved and sales in foodservice and food to go recovered to around 39% of prior year levels for Q4.

As outlined in our Covid-19 trading updates, management implemented a range of measures to control costs and preserve cash while scaling back production in response to reduced demand. As a result of these actions, we find ourselves in a healthy and secure financial position. The Group has remained cash generative throughout the period, has not needed to make use of any government financial assistance schemes aside from furlough, and has extensive headroom remaining of its £55 million revolving credit facility.

The coronavirus presented our teams with significant operational challenges, the likes of which had not been encountered before, but they met them with enthusiasm and tenacity and I am proud of the way they were able to keep the business running without compromising on the high standards we set for ourselves.

Considerable Strategic Progress Despite the Pandemic

Finsbury Food Group comprises several once independent businesses; a major strategic focus of the past few years has been on introducing initiatives to ensure they operate as one cohesive unit with a greater uniformity of process and procedures, and better communication. Work on that front continued apace during the year, despite the disruption caused by the pandemic.



I am proud of the way our teams met operational challenges with enthusiasm and tenacity and I am proud of the way they were able to keep the business running without compromising on the high standards we set for ourselves.



Chairman's Statement/Continued



With the business on a sound financial footing, in the near-term we will continue to prioritise the health and safety of our colleagues while carefully managing our resources and operations to meet the returning demand in a sustainable way.

The Chief Executive's review outlines in more detail the progress we have made, however, I would like to pick out three examples:

- IT has been a key investment theme in recent periods and is now at a level of maturity where we have standardised management information across the sites and can use it to keep introducing new initiatives to further drive productivity and efficiency gains across the Group;
- More broadly, the Company-wide rollout of professional communications software such as Workplace by Facebook and Microsoft Teams has made collaboration and sharing of information across the Group during the pandemic easier than it was before the lockdown restrictions were introduced; and
- In April we completed the migration of our third-party training academy online. This meant that several projects that otherwise would have had to have been put on hold were able to go ahead.

Delivery Down to the Hard Work and Commitment of our Team

The coronavirus pandemic has tested the mettle of everyone at Finsbury and I would like to take this opportunity to pay tribute to them all for the way they have responded, particularly in adapting to the new ways of working. Their courage, dedication and professionalism in the face of adversity has been first class, from the senior leadership team through to those in our bakeries and countless others whose efforts have meant we could continue to make a contribution to keeping the UK's food shelves stocked.

Dividend

The Board withdrew the interim dividend of 1.23 pence per share on 29 March 2020 and have decided not to propose a final dividend in the context of the continued uncertainty surrounding the pandemic and Brexit. The Board is minded to reinstate a dividend for F21 and will provide an update as these unknowns pass and our outlook is more certain.

Board

The Board composition remains unchanged since last reported and we continue to comply to the QCA Corporate Governance Code. The Board met at sites as usual until March and since then has met using online meeting facilities and will continue to do so until it is felt safe to go back to meeting on sites.

Positioning the Business for Growth

After the initial impact, we are starting to see some positive monthly sales trends that hint at the beginnings of a recovery. Furloughed staff at its peak totalled 534; by 31 August 2020 the number had reduced to 94. The outlook now versus where it was when the pandemic first took hold is much improved, but with market volatility likely to persist, it remains difficult to predict with any accuracy the rate at which the recovery will take place.

With the business on a sound financial footing, in the near term we will continue to prioritise the health and safety of our colleagues while carefully managing our resources and operations to meet the returning demand in a sustainable way.

Longer-term, we remain just as focused on our goal of becoming the leading speciality bakery group as we ever were. Finsbury is a fundamentally strong business engineered to be resilient, and for all the negatives associated with the crisis, there is no doubt it has accelerated a number of positive operational improvements which will benefit the Group for many years to come.

Coronavirus risks and Brexit uncertainty remain, but with the good work we have done before and during the pandemic to improve and refine our working practices, we are confident we will emerge a stronger, more streamlined and efficient organisation.

Peter Baker
Non-Executive Chairman
18 September 2020



Better... in adapting to change



I am pleased with how the business has coped, really illustrating the strength of our group and commitment of our teams. A crisis tells us a lot about ourselves, and I believe we have responded brilliantly.

Chief Executive's Report/Continued

Finsbury has a strong track record of successfully navigating macroeconomic pressures, but the events of the past few months were entirely unprecedented and presented a new set of challenges. I am pleased with how the business has coped, really illustrating the strength of our Group and commitment of our teams. A crisis tells us a lot about ourselves, and I believe we have responded brilliantly.



25%

year-on-year reduction in waste
delivering significant benefits
across the whole Group.

Review of Performance

As previously reported, the first half was both a period of growth and of successful delivery against our strategic priorities, primarily driven by organic performance in UK Bakery as well as new business wins and the first full financial year contribution from our acquired Free From business, Ultrapharm.

Performance in the second half was reflective of continued momentum in January and February in line with market expectations, followed by significantly weaker trading as a result of the outbreak of Covid-19 at the end of March and the dramatic changes in demand the Group experienced thereafter.

The benefit of the Group's geographical, channel, customer and product diversification has been evident throughout the pandemic. Our European customers and bakeries experienced lockdown first and were able to share their learnings quickly across the Group.

Our largest channel, Retail, remained relatively resilient throughout, although it was impacted by rapid changes to shopping behaviours, which we are pleased to say we adapted to quickly. Helped in part by the warm weather, some areas of retail demand clearly benefited such as round cakes and buns and rolls, while foodservice and food to go were hardest hit. Celebration cake sales were dented but to a lesser extent than one might expect, with households keen to continue marking special occasions despite restrictions on celebrating with extended family and friends.

Our ability to adapt quickly to changing consumer needs is evident in the steady monthly sales improvements we have seen since March as our customers are now gradually moving back towards normalised ranges in line with the gradual relaxation of the nationwide lockdowns. Following the staggered re-opening of some customer sites our foodservice and food to go volumes have started to recover.

Response to Covid-19

We have detailed our response to the outbreak of the coronavirus in our previous updates but it is worth reiterating that from the outset, everything we have done has been within the parameters of, first and foremost, keeping our colleagues, suppliers and customers safe.

Early on, after ensuring our facilities were meeting government standards for social distancing and safe working, we were focused on meeting volatile and unforeseeable swings in demand at a time where there was widespread concern about the availability of food stock across the UK.

Thanks to our colleagues, who have worked tirelessly and under difficult circumstances, the Group adapted quickly and effectively to the situation, and has continued to deliver.

At the same time, we knew that communities were in need, and I'm delighted we were able

to work with our customers to play a small part in the national effort against the virus by producing loaves to be included in food boxes for the shielding housebound, in conjunction with several of our major customers, as well as provide charitable food donations to NHS and key workers as well as local care homes.

Developing Group Scale Benefits

Covid-19 has demonstrated the importance of the investment and hard work that has been undertaken to create a cohesive Group that operates at scale. While the focus has been on strengthening the business for the long-term, there is no doubt the improvements and efficiencies we have already achieved have been valuable in coordinating an effective and agile crisis response.

This time last year, we rolled out six Group Operating Principles, a set of practical building blocks that establish best practice and how we want to consistently run our businesses. They are:

- **Operating Excellence** – we continually invest in our bakeries to improve our efficiency and customer satisfaction;
- **Sustainable Approach** – we optimise our use of energy 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 need 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; and
- **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.

I am pleased to report they are now a common framework used across Finsbury to translate our Group strategy into action. This is thanks in large part to the investment we have made in our IT infrastructure, making it easier to introduce Group-wide information which facilitates improved collaboration for improvement initiatives and leveraging scale benefits across the Group.

One of these initiatives within Operating Excellence is our Process Blueprint project which is now active in all Finsbury bakeries. The project is designed to establish, embed, and optimise knowledge of all our processes while encouraging collaboration and exchange of ideas to help us achieve our goal of making fantastic and consistently high-quality products in as efficient a manner as possible.

With the systems, resources and knowledge base we now have in the Group, our provision of management information is much improved, granting us greater optionality over, for example, buying materials and services on a Group basis rather than by site at a local level or optimising our Group-wide supply chain distribution efficiency and agility.

Until recently, we have been mainly focused on significant capital investment – whether that be in IT or physical capacity increases across our sites. Now, with that phase of our investment programme largely complete, our efforts have shifted to filling that capacity and further optimising our operations.

In isolation these are small examples but they are indicative of the direction of travel of the business and its evolution into a more progressive, expert organisation. A number of strategic initiatives have already been introduced and we continue to see further productivity and efficiency gains as a real long-term opportunity for us.

Investing in Our People

Within the People Who Care principle, we continued to make good progress against our People Strategy during the period with a focus on improving employee engagement. One example of this is the Group-wide sentiment survey we ran to gather feedback from staff regarding our handling of the coronavirus crisis, covering areas such as health and safety, demonstrating care, communication and leadership. The response was positive across all areas and sites, while also providing valuable insight to inform initiatives we are now actively engaging with local teams to action.

Communication is a key driver of engagement and this has been transformed by the rollout of Workplace by Facebook as our primary Group-wide communication tool. Workplace has been invaluable during the pandemic, enabling us to communicate and operate effectively remotely, whilst also enabling us to remain connected and drive business performance.

During the period, we continued to embed the Talent Management process, enabling us to identify, retain and develop existing talent, create a pipeline for future talent, and identify capability gaps aligned to the business strategy. We also ran our third graduate recruitment campaign, specifically targeted at bringing entry level finance talent into the business, and are continuing with the business-wide Engineering Apprenticeship Programme to address what we know to be a future national and industry shortfall in engineering talent.

Committed to Ensuring our Bakeries are Sustainable

We are committed to a sustainable approach throughout our supply chain and in our bakeries and have implemented sustainability metrics and goals embedded within all our business strategies.

One example of the tangible impact that this approach is having is our focus on waste reduction which, at one of our sites, has resulted in a 25% year-on-year reduction in waste but it is delivering significant benefits across the whole Group. We have engaged with specialist Group-wide providers in waste management to drive our zero waste to landfill target across all sites by the end of 2020 and are working to identify further opportunities to reduce waste at source.

As part of our work to reduce our energy consumption, we have successfully trialled localised energy monitoring which resulted in a 10% reduction of energy. This initiative is now being rolled out across the business with all key assets in all bakeries implementing localised energy monitoring to enable measurement of key energy reduction projects. Alongside this, we continue to drive conversion to LED lighting across all of the individual group bakeries, with around 60% of the total already completed.

Whilst almost all our plastic packaging is recyclable with almost 80% of it being readily recyclable in the UK, we are working to ensure all plastics are recyclable.

Continued Product Innovation to Meet Consumer Needs

Notwithstanding the demand shifts in recent months, key trends of health and wellbeing, and ethical and environmental choices remain a driving force with consumers.

Responding to consumer demand has always put us at the forefront in our categories and our teams have launched a number of innovative and appealing lines in the period. These include plant-based, vegan-friendly whole cakes and celebration cakes, launched with the BOSH! brand. Having identified nut free as an important concern for shoppers hosting family and party occasions in particular, we have invested significantly in our Celebration Cake bakery in Hamilton over the last year to turn it into a fully nut-free site, a first in the cake industry. We have since launched a range of character licensed based products, all clearly marked with our unique Nut Free logo on pack. The range includes some of our most popular licenses including Disney's Frozen, Spiderman, Harry Potter, Batman and Peppa Pig.

We are committed to growing our licensed brand portfolio and had several successes on that front in the period. We were able to tap into the fast-growing gaming market through signing partnerships with Xbox, Mario and Nerf, and our long-standing relationship with Mars went from strength to strength, with the Galaxy Ripple becoming our bestselling celebration cake in the period further to its launch in April 2019.

Innovation remains at the core of what we do across all our licenses. Our desire to provide consumers with on-trend, exciting and delicious new products drives us and enables us to maintain our market leading position.

In Artisan bread, we continued on our strategic growth journey, with increasing expertise reinforcing our market leadership position. During the period, we carefully invested in additional capacity and state of the art production equipment, driving efficiencies and quality improvements and adding a further 50% capacity. With world-class production facilities now in place and a strong innovation pipeline, we anticipate further success in this on-trend growth sector moving forwards.

Current Trading and Outlook

Against a macro-economic backdrop that continues to be defined by high levels of uncertainty, encouragingly, sales continued to improve month-on-month in the first two months of the new financial year. As the recent tightening of restrictions designed to curtail the spread of the virus have demonstrated, though, it remains difficult to forecast potential bumps in the road and the impact they may have. The trajectory of sales in our foodservice business in particular is sensitive to this type of policy change. While it is hard to say when levels of demand will return to normal in this division – or what normal looks like longer-term – we continue to carefully manage our resources and operations to meet demand levels in an appropriate and sustainable way. Given the ongoing market uncertainty we are unable to provide guidance at this time.

Looking ahead, we will continue to monitor and respond to the pandemic as it evolves, working more closely with our customers and global brand partners than ever before to ensure we anticipate changing demand patterns and manufacture products and ranges that meet changing consumer needs. We have delivered a robust performance in the circumstances to date, and are confident that with the comprehensive optimisation of the business that has taken place in the past few years and the extensive operational improvements that have been introduced and accelerated as a result of the pandemic, we are well-positioned to continue to successfully navigate the challenges we face.

We remain focused on becoming the leading speciality bakery group and, notwithstanding coronavirus-related disruption, we have continued to make good progress towards that goal. There will inevitably be further obstacles to overcome as the pandemic plays out and with Brexit approaching, but there is a sense of cautious optimism in the business, and we are confident that by continuing to manage the business in a disciplined and pragmatic way, we will emerge a stronger, more streamlined and efficient organisation, capable of delivering sustainable growth and healthy returns for shareholders.



John Duffy
Chief Executive Officer
18 September 2020

Engaging with our stakeholders

This section serves as our section 172 statement and should be read in conjunction with the Strategic Report and the Company's Corporate Governance Statement. It also provides guidance to the disclosure of non-financial information that is necessary for an understanding of the development, performance, and position and impact of the Company's activity. The Board's aim, collectively and individually, is to always uphold high standards of conduct. When taking decisions, the Board always considers the long-term view and looks to act in the interests of shareholders as a whole and to ensure all shareholders are fairly treated.

The Board also believes that the business will be best served to grow and prosper in the long term if it understands the views and needs of its shareholders and other stakeholders and factors these into its decisions.

Accordingly, engagement with our shareholders and wider stakeholder groups plays a key role throughout our business. We engage with our stakeholder groups in a variety of ways across a range of channels to facilitate information flows in both directions with a view to ensuring our stakeholders are heard and taken into account in Board decision making, and also to ensure that our stakeholders understand the Group's perspective and needs. Indeed, some of our key stakeholders – our employees ("People Who Care"), our customers and suppliers ("Growth With Our Partners"), and the environment ("Sustainable Approach") – have been built into the very core of the Finsbury business through our Operating Principles. Our "Quality and Innovation" and "Operating Excellence" Operating Principles also embed our commitment to a long-term approach. Examples of how we engage and put our Operating Principles into action are set out throughout this report and our Operating Principles are set out in detail on pages 8 to 9.

 **See pg 8-9**
For more information



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Our People

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Our Suppliers

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Our Environment

Ensuring our Bakeries
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Our Investors

Shareholders and dividends **14** Section 2
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Our approach to Diversity and Equal opportunities is addressed in The Directors' Report set out on pages 46 to 48 and whistleblowing approach is noted in the Audit Committee Report on pages 50 to 51.

This statement is made in conformity with the requirement to explain how directors fulfil section 172 of the Companies Act 2016.

 Visit <https://www.finsburyfoods.co.uk/investor-relations/annual-reports/>
For more information

Operating Excellence

Operating Excellence

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Better... operating standards

We have continued to improve operational excellence, despite the disruption caused by Covid-19. We run a number of different programmes under the banner of Operating Excellence, which we describe on this page, all designed to ensure we continue to make fantastic, consistently high-quality, high-margin products efficiently – every day.



STANDARDISING...

Our Process Blueprint project is now active in our bakeries, establishing a standardised process across them all, mostly based on lean thinking.

Location: Group

It enhances employees' knowledge of all our processes while encouraging collaboration and exchange of ideas with results evidenced by increased efficiencies and lower waste.

One of the outputs from our Process Blueprint will be our Product Design Framework Information which will drive and govern operational improvement activities across the Group in a standard way.



1

source of good information

An increasing level of Operating Brilliance process techniques being used to correct and establish best practice across the Group.

DECISION MAKING...

IT has been a key investment theme in recent years, and following the Group-wide theme,

📍 **Location:** Group

our IT Forum has created Group-wide standardised management information KPIs to support business decision making, helping us introduce new initiatives to further improve productivity and efficiency.

7

sites now have a fully integrated common IT system embedded



ENGINEERING...

There are clear links between Process Blueprint and the work of our Engineering Forum.

📍 **Location:** Group

This is an asset care programme that ensures common engineering standards across all the bakeries, so our equipment creates consistent, repeatable results.



OPTIMISING...

Following a review of our supply chain,

📍 **Location:** Group

we are now in a position to implement a Group-wide supply chain solution that will optimise inbound and outbound material and product flow.

With systems, resources and knowledge base we now have in the Group we are able to improve our Group-wide supply chain distribution, efficiency and agility.



Sustainable Approach

Sustainable Approach

- 1
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- 3
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- 5
- 6

Better... environmental footprint

We've established sustainability goals in all our business strategies. We are implementing a Group-wide environmental framework to create a consistent approach to monitoring, and have recruited environmental specialists to improve our skill and knowledge in this area.



REDUCING...

We have worked across the Group with waste management specialists

📍 **Location:** Group

to move towards our target for no waste to landfill by the end of 2020. We are working with WRAP to identify further opportunities to reduce waste. Our Operating Brilliance programme has focused on waste reduction, and at one bakery, we have achieved a 25% reduction in waste over the year.

RECYCLING...

We are continuing to reduce our use of plastics by optimising pack sizes.

📍 **Location:** UK

We are also aiming to ensure all our plastics are recyclable – we are almost there, with nearly 80% of it being readily recyclable in the UK.

80%

of our plastics are readily recyclable in the UK

SAVING...

We have migrated sites to an in-house centralised payroll shared service centre.

📍 **Location:** Group

We've moved almost 3,000 employees onto electronic payslips, replacing the need for paper payslips and their distribution. With around 75% of employees paid weekly, we're saving nearly 130,000 paper payslips a year. The move was made possible by our new centralised payroll function, migrating our seven UK sites onto a common platform and standardised payroll processes.



RE-LIGHTING...

We continue to move to LED lighting

📍 Location: Group

across the Group, having now converted around 60% of our bakeries.

60%

move to LED lighting across the Group

MONITORING...

We are reducing our energy usage.

📍 Location: Group

The use of localised energy monitoring has led to a 10% reduction of energy at the Sheffield site. With this initiative being rolled out across all bakeries.

REPLANTING...

With opportunities for biodiversity now limited in the former gardens of our Fletchers bakery site in Sheffield,

📍 Location: Sheffield

we've been working with pupils from a local primary school on ideas that would benefit them at school – such as bird-watching shelters, and areas to grow flowers and vegetables. We will fund the project, and the work will be carried out by volunteers from both Fletchers and the school.



Quality and Innovations

Quality and Innovations

1 2 3 4 5 6

Better... customer- focused innovation

Responding to consumer demand has always put us at the forefront in our categories, and this year our teams have launched a number of innovative and appealing lines.



REINFORCING...

In Artisan bread, we continue to strengthen our leadership in this growing market.

📍 Location: Salisbury

During the year, we invested in existing state-of-the-art artisan bread production equipment and adding a further 50% capacity. With world-class production facilities now in place, and a strong innovation pipeline, we anticipate further success in this market.



50%

**further capacity
in artisan bread**

**REDUCING...**

The Health targets are part of our development process.

📍 Location: Group

Over 98% of our products achieve the FSA salt targets, and we are making good progress in all categories to reduce sugar in line with Public Health England targets of a 20% reduction in sugar content. Our average sugar reduction, weighted for sales, was 12.4% up from 8.2% reduction in the year previous. We have made good progress and have a number of sugar reduction replacement projects in progress to aim for the Public Health England 2020 target.

12.4%

sugar reduction

**RELAUNCHING...**

We have refreshed our WW cake brand to cater for the needs of consumers looking for a treat,

📍 Location: East Kilbride

but with lower sugar and calories. The new WW product range offers three flavours, is under 100 calories a slice, and is a source of fibre, all innovations based on what consumers are looking for as part of a balanced diet. WW was formerly known as Weight Watchers, rebranded two years ago and is now positioned as a well-being brand that is inclusive to everyone's lifestyle.

DEVELOPING...

Our extensive insight capabilities keep our new product development

📍 Location: Group

in line with market trends, with over 60 employees engaged in developing new products.

This is enhanced by our manufacturing Process Blueprint, which embraces and supports the production of high-quality premium products.



Key Performance Indicators

Key Performance Indicators
Financial

Sales Growth

Performance

2020	-2.8%
2019	+3.8%

Definition

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

2020 Performance

Pre Covid-19 trading was in line with market expectations of growth in revenue, at the first half year growth was 4.7%. Covid-19 had a significant impact on our foodservice business which accounts for c20% of total revenue.

Adjusted Operating Profit

Performance

2020	4.9%
2019	5.3%

Definition

Adjusted operating profit £/revenue £ as a percentage.

2020 Performance

Covid-19 has had an impact not only on revenue but the mix with a shift in demand from premium products to more staple products. Prompt action to reduce overheads mitigated the reduction in H2 operating profit %.

Adjusted EPS

Performance

Basic 2020	7.9p
2019	9.3p
Diluted 2020	7.7p
2019	9.0p

Definition

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

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).

2020 Performance

With a year-on-year decline in operating profits, driven by the impact of Covid-19, there is a decline in the EPS.

Adjusted EBITDA (Pre IFRS 16)

Performance

2020	24.4m
2019	25.5m

Definition

EBITDA (operating profit before significant non-recurring and other items adding back depreciation and amortisation).

2020 Performance

The first half growth in EBITDA was 4.1%, Covid-19 had an impact in the second half driving a full year on year decline of 4.4%.

Net Debt

Performance

2020	-26.5m
2019	-35.6m

Definition

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

2020 Performance

In response to the impact of Covid-19, a number of cash preservation measures were taken and with a decline in business, working capital holding has naturally fallen.

Debt to Adjusted EBITDA

Performance

2020	1.1
2019	1.4

Definition

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

2020 Performance

A fall in net debt and a decline in EBITDA with the net impact being an improved ratio. Comfortably below covenant condition of 2.5x.

Return on Capital Employed (ROCE)

Performance

2020	9.6%
2019	10.8%

Definition

Adjusted operating profit (OP)/average capital employed.*

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

2020 Performance

A decline in ROCE driven by the fall in OP due to Covid-19.

Key Performance Indicators

Non-Financial

Revenue £k per Employee

Performance

2020	96
2019	103

Definition

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

2020 Performance

A decline in sales due to Covid-19 and a steady average number of people employed. Average employees includes +500 employees furloughed at the peak over a period of 14 weeks and has exaggerated the decline in this measure.

Number of Employees

Performance

2020	3,177
2019	3,062

Definition

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

2020 Performance

An increase during the year primarily due to the full year impact of the acquisition of Ultrapharm. Included in the headcount are the peak of +500 employees who were furloughed for up to 14 weeks during the pandemic.

Number of BRC A Grade Ratings

Performance

2020	6
2019	6

Definition

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

2020 Performance

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

Complaints per Million Units

Performance

2020	17.1
2019	18.9

Definition

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

2020 Performance

Our long-term commitment to product quality makes this a key measure. Process Blueprint has progressed throughout the Covid-19 period delivering tangible benefits and should drive further improvements across all sites.

RIDDORs* per 100k Hours Worked

Performance

2020	0.28
2019	0.22

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.

2020 Performance

The KPI has deteriorated year on year. We are unhappy with the increase but believe we have the appropriate resourcing in place to focus on identified root causes of accidents.

Cost Effectiveness

Cost Effectiveness

- 1
- 2
- 3
- 4
- 5
- 6

Better... efficiency all round

In a competitive market, cost effectiveness is essential to success. We maintain strict cost controls without compromising quality, streamlining our processes from sourcing to delivery. Our Group-wide review and standardisation of bakery processes has led to improvements in quality, efficiency and reduction of waste.

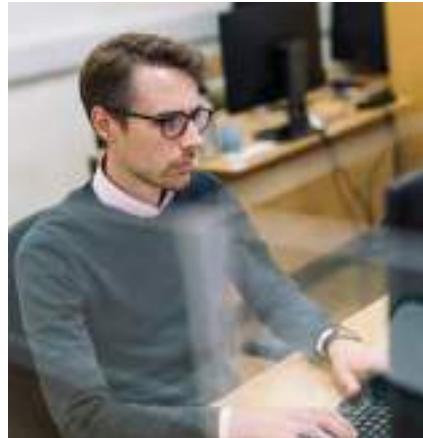


BUYING...

Our centralised buying process focuses on high-quality and cost-effective ingredients,

Location: Group

as well as efficiency of scale in how we procure indirect items such as personal protective equipment.



INVESTING...

We focus our capital investment on capability and cost reduction.

Location: Group

We aim for achieving lowest-cost-producer status in areas where we have a niche strength such as artisan breads or sharing cake.

25%

reduction in waste year-on-year
at one of our bakeries driven by our
Operating Brilliance Programme



PRODUCING...

We consistently monitor the cost-effectiveness of our manufacturing assets, with improvements

Location: East Kilbride & Poland

this year in our automated single-serve cake bar packing, and modern travelling ovens improving capacity and efficiency at our gluten-free bakery in Poland.

We have developed and implemented an asset care programme supported by a Group led engineering team of experts to optimise the performance of our production assets.

10%

reduction in complaints
with Fletchers business achieving 27% reduction year-on-year as Operating Excellence has led to improvements in quality.

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.

Risk management is regarded as essential to achieve the Group's strategic and operational objectives. An annual, formal review of risks is carried out as an integral part of our strategic planning process. Each business updates its risk register and the registers are presented to the Audit Committee together with mitigating actions.

Following a preliminary recommendation by the Audit Committee, the Board reviews the highest risk items for the Group and the mitigations.

The risks considered material, how they have evolved year on year and the principal mitigating actions are:

External

01 Covid-19 Pandemic

Movement
in year

Principle Risk

The pandemic has resulted in significant changes to the retail and foodservice sectors. Consumers have changed their shopping behaviour within retail with both positive and negative implications for Finsbury's products. Foodservice volumes continue at less than half their pre-outbreak levels.

Finsbury's bakeries have easily adjusted to social distancing guidelines. The ongoing risk of the disease is absenteeism that, at elevated levels, could restrict the ability of our bakeries to meet demand.

Mitigation

Crisis team formed; meeting daily to oversee the impact of the pandemic.

The priority is and was to ensure the safety of all employees and to make rapid changes to the way the business operates by establishing safe ways of working based on social distancing and home working.

Financially the business moved to manage cash while ensuring no adverse consequential impact to our customer and supplier base.



Commentary

New risk with significant impact on commercial, operational and financial performance

02 Brexit



Movement in year

Principle Risk

The risk of a no-deal Brexit is financially material. WTO tariffs will adversely affect the cost of inbound raw materials. There will also be tariffs on exported finished goods, primarily to our French subsidiary, Lightbody Europe.

The impact is likely to be inflationary and will affect all customers and competitors alike. The consequential risk is to volume loss or decline.

Mitigation

Since the referendum in 2016 the Company has decreased the amount of raw material imported from Europe and continues to work with suppliers in this regard.

Capital investment has been targeted at automation and operational efficiency.

Investment in new bakery in Poland to expand capacity for continental Europe.



Commentary

Similar to last year – hard Brexit risk and continued uncertainty, but well prepared.

03 Cyber Security



Movement in year

Principle Risk

The exposure to random and malicious attacks from Cyber criminals always exists. Protecting key information assets is of critical importance.

Mitigation

The Audit Committee has reviewed in depth the cyber risks and mitigating actions which include:

- Maintenance of protections software and real-time back-ups;
- Independent penetration testing;
- A new Group-wide information system with standardised protection, operating requirements and security protection;
- In 2020 will migrate to a Cloud-based platform with enhanced protection as standard; and
- Training and regular communications, including warning of common frauds to be aware of.



Commentary

Increase risk offset by enhanced mitigations.

Risk Report/Continued

Operational

04 Health and Safety

**Movement in year****Principle Risk**

Injury to employees remains an ongoing risk with potentially significant consequences.

Mitigation

Led by the H&S Committee, the Group is embedding a Homesafe Every Day Strategy.

Induction and training programmes underpinned by our Operating Principle - People who Care.

Regular Board reviews and site visits.

05 Business Interruption or Fire

**Movement in year****Principle Risk**

Risk of serious injury and loss of production capacity.

An increased number of largescale losses in the bakery sector has resulted in increases in insurance premium costs and a restriction in affordable capacity. The financial exposure may well be self-insurance and partial exposure to any actual loss.

Mitigation

Continued focus on preventative measures to reduce risk including regular fire audits. Re-engineering insurance programme including an element of self-insurance.

**Commentary**

An area of continued focus and development.

**Commentary**

Deteriorating insurance market conditions with cost and capacity implications.

Financial

06 Pension Deficit

**Movement in year****Principle Risk**

Changes in inflation, investment performance and demographics (life expectancy) leads to a larger deficit requiring increased Company contributions under a recovery plan.

Mitigation

Introduced Fiduciary Management Investment approach which enables scheme trustees to execute their long-term strategies efficiently and target better outcomes.

Appointed Professional Company Trustee to challenge approach and to bring knowledge from experiences with many other clients.

**Commentary**

Worsening external factors offset by positive changes.

07 Commodity and Labour Costs Pressures

**Movement in year****Principle Risk**

Global commodity inflation and increasing volatility in addition to the Brexit risk identified above.

Continuing increases in National Living Wage.

Mitigation

Tight control of costs and mitigation where possible through price and product engineering.

Continued programme of Operating Brilliance and capital expenditure, focused on Continuous Improvement and cost reduction. All led by Group Efficiency Improvement Director.

Leverage economies of scale from the enlarged group, including Group Purchasing strategy.

People strategy focussed on staff retention by upskilling of workforce.

**Commentary**

Our Operating Principles of Operating Excellence, Cost Effectiveness and People who Care are key to continued efficient operations.

Growth with Our Partners

Growth with our Partners

1 2 3 4 5 6

Better... business relationships

Customers, license owners and suppliers are our partners, and we work with them to create a constant stream of high-quality, innovative products. We have built these relationships over many years – and recent growth in our share of the licensing market and in the convenience and discounter channels, is testament to our strong partnership credentials. We work with suppliers to source high-quality ingredients from around the world, and also to innovate in raw materials and packaging.



INVESTING...

Having identified nut-free foods as an important concern for shoppers hosting family and party occasions

📍 **Location:** Hamilton

in particular, we have invested significantly in our celebration cake factory in Hamilton. It's now a fully nut-free site, a first for the cake industry. We have launched a range of character-licensed products, all clearly marked with our unique Nut Free logo on the pack. The range includes some of our most popular licenses, including Disney Frozen, Spiderman, Harry Potter, Batman and Peppa Pig.



DIVERSIFYING...

Our channel diversification into foodservice, our Kara foodservice brand, and our broad frozen range of foodservice products

📍 **Location:** Manchester and Sheffield

sees us as the leading foodservice partner. This year we launched our Kara brand vegan buns for the foodservice market, meeting a rapidly developing consumer trend.



GROWING...

We are growing with partners in the UK and across the rest of Europe

Location: Europe

in both bread and cakes. Our Lightbody Europe subsidiary in France and the Ultrapharm business in Poland give a growing presence in Europe.

11%

of Group revenue made through European sites

GAMING...

Aiming to grow our licensed-brand portfolio, we had several successes this year as we tapped into the fast-growing gaming market,

Location: Cardiff and Hamilton

signing partnerships with Xbox, Mario and Nerf. And through our long-standing relationship with Mars, we went from strength to strength, with the Galaxy Ripple becoming our best-selling celebration cake, following its launch in April 2019.



Financial Review

Group revenue for the 52-week period to 27 June 2020 is £306.3 million, 2.8% lower than last year.

Following a strong first-half performance, which saw Group revenues grow 4.7% to £159.4 million, performance in the second half was impacted by the outbreak of the Covid-19 pandemic, with sales down 9.8% to £146.9 million.

20% of Group revenue is within foodservice/out-of-home eating which was largely shut down in response to the pandemic. The reduction in sales to the foodservice/out-of-home eating, starting 23 March, is the primary driver behind the reduction in second-half Group revenue. Monthly sales since 23 March have improved from being 24% down in April to 15% down in June against the prior year. This reflects the beginning of a recovery in foodservice/out-of-home eating but also reflect growing volumes in our Retail business as consumers adjust to a changed environment. Adjusted operating profit at £14.9 million is down 11.3% on last year. Adjusted operating profit margins are 4.9% (2019: 5.3%), a consequence of Covid-19.

Impairment and Other Significant and Non-recurring Items

At the year end we identified a non-cash impairment of goodwill in Ultrapharm of £7.5 million a consequence of forecasted future earnings that do not support the carrying value. In addition, strategic reorganisation costs on the back of the pandemic of £1.3 million, a value write down in unused bakery assets in Cardiff of

£1.2 million and pre-pandemic commissioning costs of our new bakery in Poland of £0.3 million, have all been classified as significant and non-recurring. Items identified as significant and non-recurring have been excluded from operating profit in the table below to better reflect the ongoing trading position. Adjusted operating profit is deemed to provide a clearer presentation of the trading performance and sustainable cash generation of the Group.

Dividend

The Company announced the cancellation of the interim dividend on 29 March 2020. The Company has decided not to pay a dividend for the 52 weeks to 27 June 2020, given the uncertainty of Covid-19, as well as the additional risks that will be faced in the case of a no-deal Brexit.

The tables below show what the Directors consider to be the trading performance of the Group. The adjusted measures eliminate the impact of significant and non-recurring items and other accounting items that are not deemed to reflect the continuing performance of the Group.

52 week period ended 27 June 2020

	Operating performance £000	Significant non-recurring impairment Note 4 £000	Significant non-recurring other items Note 4 £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	306,348	-	-	-	-	-	306,348
Cost of sales	(210,881)	-	-	-	-	-	(210,881)
Gross profit	95,467	-	-	-	-	-	95,467
Other costs excluding depreciation & amortisation	(69,219)	(8,737)	(1,594)	200	(73)	-	(79,423)
EBITDA	26,248	(8,737)	(1,594)	200	(73)	-	16,044
Depreciation & amortisation	(11,309)	-	-	-	-	-	(11,309)
Operating profit	14,939	(8,737)	(1,594)	200	(73)	-	4,735
Finance income	61	-	-	-	-	-	61
Finance costs	(1,272)	-	-	(256)	(386)	(14)	(1,928)
Profit before tax	13,728	(8,737)	(1,594)	(56)	(459)	(14)	2,868
Taxation	(3,398)	235	303	11	87	1	(2,761)
Profit for the year	10,330	(8,502)	(1,291)	(45)	(372)	(13)	107

*Refer to Note 4 for further details on significant non-recurring items.

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 & amortisation	(69,905)	(1,200)	(162)	(178)	-	(71,445)
EBITDA	25,527	(1,200)	(162)	(178)	-	23,987
Depreciation & amortisation	(8,694)	-	-	-	-	(8,694)
Operating profit	16,833	(1,200)	(162)	(178)	-	15,293
Finance income	77	-	-	-	-	77
Finance costs	(991)	-	(282)	(382)	-	(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

Earnings Per Share (EPS)

EPS comparatives to the prior year can be distorted by significant non-recurring items and other items highlighted above. The Board is focused on growing adjusted diluted EPS which is calculated by eliminating the impact of the items highlighted above as well as amortisation of intangibles and incorporates the dilutive effect of share options. Adjusted diluted EPS is 7.7p (2019: 9.0p).

	52 week 2020	52 week 2019
Basic EPS	(0.6)p	7.3p
Adjusted basic EPS	7.9p	9.3p
Diluted** basic EPS	(0.6)p	7.0p
Adjusted* diluted*** EPS	7.7p	9.0p

* Further details on adjustments can be found in Note 9.

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

Cash Flow

There was a decrease in our working capital of €1.0 million (2019: €5.6 million increase) in the financial year driven by the downturn in trading as a result of the pandemic. Corporation Tax payments made in the financial year totalled €1.8 million (2019: €2.0 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 €4.7 million (2019: €11.0 million).

Debt and Bank Facilities

The Group's total net debt is €26.5 million (2019: €35.6 million), down €9.1 million from the prior year. Responding to the Covid-19 pandemic, the Board immediately took a number of cash and cost-conserving actions to ensure the business remained on a sound footing to deliver on its longer-term growth ambitions. These included:

- The freezing of all discretionary expenditure and capital investment;
- Careful management of cash resources; and
- The suspension of the interim dividend.

In addition to these measures, the Board and Executive team took a 30% salary reduction between April and June whilst other senior executives took a 20% reduction.

Throughout the year which includes the Covid-19 affected final 3 months the Group has remained profitable and has generated cash which has resulted in a reduction in net debt of €9.1 million. It has remained comfortably within its credit facility of €55.0 million. Furthermore, the Group has not looked to utilise any of the Government Loan schemes.

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 27 June 2020 is €25.0 million (2019: €25.0 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 0.10% and LIBOR at 0.691%, was 2.2% (2019: base rate 0.500% and LIBOR 0.501% effective interest rate 2.0%).

Financial Covenants

The Board reviews the Group's cash flow forecasts and key covenants regularly, to ensure it has adequate facilities to cover its trading and banking requirements with an appropriate level of headroom. The forecasts are based on management's best estimates of future trading. As noted earlier, there has been no breach of covenants during the year and the Board does 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 27 June 2020 was 25.3 (2019: 28.0). Net bank debt to EBITDA (based on adjusted EBITDA) for the year to 27 June 2020 was 1.1 (2019: 1.4).

Taxation

The Group taxation charge for the year was €2.8 million (2019: €3.3 million). The effective rate of tax on profits before significant and non-recurring and other items is 24.8% (2019: 22.6%). You can find further details on the tax charge in Note 8 to the Group's Financial Statements.

Financial and Non-Financial Key Performance Indicators

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

The Group Board receives a regular overview of all KPIs. We discuss these KPIs in further detail on pages 26 and 27.

The Strategic Report was approved by the Board of Directors on 18 September 2020 and was signed on its behalf by:

Stephen Boyd

Director

People Who Care

People Who Care

1 2 3 4 5 6

Better... employee engagement

We continued to make good progress with our people strategy, engagement being a major part. With our planned two-yearly survey postponed due to Covid-19, we instead ran a sentiment survey to gather employees' views on our handling of the crisis. The response was positive providing some valuable lessons and insights.



UNDERSTANDING...

We held the fourth FFG Conference, in October 2019.

📍 **Location:** Manchester

Involving the top 100 leaders across the business, the objective was to ensure a consistent understanding of our business strategy and operating principles. It is also a great opportunity for people to meet and forge collaborative working relationships.

100

top leaders across the business
were involved in our fourth FFG Conference

REWARDING...

We launched the Shining Example Awards to publicly recognise and reward individual employees each month for bringing our values to life.

📍 **Location:** Group

We also launched the Brilliance Awards, to each year reward and recognise teams who have achieved outstanding results based on each of our operating principles.



CREATING...

We have transformed communication around the Group by introducing Workplace by Facebook as our primary communication tool.

📍 **Location:** Group

It has been invaluable during the pandemic, helping us communicate and operate effectively while working remotely.



RECRUITING...

We ran our third graduate recruitment campaign

📍 **Location:** Group

aiming specifically to bring talented entry-level finance specialists into the business.



APPRENTICESHIP...

We are continuing with the business wide Engineering Apprenticeship Programme.

📍 **Location:** Group

To address what we know to be a future national and industry shortfall in engineering talent. We have engaged with a number of apprenticeships across other functions.

14

engineering apprentices
across the Group

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.

There have been no significant changes to the Company's corporate governance arrangements during the past year.

Peter Baker
Non-Executive Chairman

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 page 8. Our strategy and markets are explained in detail in our Strategic Report on pages 1 to 39.

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 2019 AGM resolutions were passed comfortably.

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

The Board considers that it has operated in full regard of its responsibilities under section 172 of the 2016 Companies Act as outlined in the Strategic Report on page 18. The Group's Purpose is widely understood and drives the decision-making which aims to optimise the long-term value of the business.

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 up of two Executive Directors, the Chairman and three other independent Non-Executive Directors.

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 bakeries.

The Board held five scheduled meetings during the year under review, the April and June meetings were held online this year, due to the impact of Covid-19. 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)
John Duffy	5	-	-
Steve Boyd	5	-	-
Peter Baker	5	-	-
Bob Beveridge	5	3	-
Ray Duignan	5	3	2
Marnie Millard	5	-	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 3 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.

Report on Corporate Governance/Continued

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 44 and 45. 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 on-going 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.

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.

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 are:

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

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.

Report on Corporate Governance/Continued

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 times.

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; and
- 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 has two members, 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 50 and 51.

Remuneration Committee

The report of the Remuneration Committee is set out on pages 52 to 56. The Audit Committee has two members, 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; and
- 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

18 September 2020

The Directors

Better... skills for future growth

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. The matters overseen by the Board are detailed in section 9 of the Corporate Governance Report.



Peter Baker
Non-Executive
Chairman

Appointed to the Board
1 July 2014

Peter joined the Board on 1 July 2014 and is also 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 chairs one other Board, is a Non-Executive Director and a Trustee of two charities. 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 now Food Drink Europe (a European trade association for food and drink) and was on the Executive Board of FDF, the UK Food and Drink Federation. Key areas of expertise are knowledge of food industry, strategy, change management, leadership, corporate governance.



John Duffy
Chief Executive
Officer

Appointed to the Board
30 September 2009

John was appointed CEO of Finsbury Food Group with effect from 30 September 2009 to lead a turnaround of a then overleveraged and decentralised Group. Through a combination of strong organic growth, M&A activity, restructuring and investment, it has been transformed into a broadly diversified speciality bakery Group with over £300 million of sales across both retail and out of home channels in the UK and Europe.

Following an engineering degree and initial career with Shell International, John completed a full-time MBA before pivoting into the food industry and enjoying 10 years in director level manufacturing and logistics roles at Mars. This was followed by private equity experience 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 director experience in both start-up and established businesses.

Key area of expertise are strong leadership and general management skills, operations and engineering experience, turnaround and change management, M & A.

The Directors/Continued



Stephen Boyd
Group Finance
Director

Appointed to the Board
January 2010

Steve was appointed Group Finance Director in January 2010. Steve has spent 24 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. Key areas of expertise are strong financial management and cost control, M&A, investor relations, financing, strong leadership and general management skills.



Raymond Duignan
Non-Executive
Director

Appointed to the Board
July 2013

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. Key areas of expertise are strategy, finance and detailed knowledge of the European food and drink industry.



Marnie Millard
Non-Executive
Director

Appointed to the Board
1 February 2016

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 85 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 25 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 also Chairs the board of UA92 and is the current President of the Soft Drinks Industry. Marnie chairs the Remuneration Committee. Key areas of expertise are sales and marketing, manufacturing, supply chain and international trade.



Bob Beveridge
Non-Executive
Director

Appointed to the Board
1 July 2017

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 8 years he has been a portfolio Independent Director and Audit Committee Chairman and is currently Senior Independent Director on the Board of 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. Key areas of expertise are board level financial skills, risk management, corporate governance, M&A and digital technology.

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 39.

Dividend

The Coronavirus crisis has had a profound impact on the economy and heightened uncertainty around future economic recovery, therefore the Board took the decision as announced on 29 March 2020, to withdraw its proposed interim dividend. While the Board remains committed to the payment of dividends, it believes it is prudent to conserve the Group's cash at this time of heightened instability. The Board will assess the Group's cash position and the outlook for the business at time of the full year results, and will adjust its approach to the final dividend accordingly. 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.

Directors and their Interests in the Company

The Directors and brief biographies are detailed on pages 44 and 45.

In accordance with the Articles of Association, Stephen Boyd and Raymond Duignan 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 27 June 2020 and 29 June 2019 are set out below:

Ordinary Shares	27 June 2020	29 June 2019
P Baker	96,817	96,817
R Beveridge	14,000	14,000
S A Boyd	1,095,543	1,095,543
J G Duffy	2,443,679	2,443,679
M Millard	9,366	9,366

Details of Directors' share options are set out in Note 6 to the Financial Statements. There has been no change to the Directors' share interests since 27 June 2020.

Details of the emoluments of the Directors are given in Note 6 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 2020:

	Number of shares	% shareholding
Ruffer (London)	25,772,674	19.8
FIL Investment International (London)	13,123,829	10.1
Investec Wealth & Investment (RS) (London)	11,590,894	8.9
Canaccord Genuity Wealth Mgt (London)	10,194,522	7.8
Premier Miton Asset Mgt (London)	9,446,639	7.2
London Finance & Investment Group (London)	6,000,000	4.6
Hargreaves Lansdown Asset Mgt (Bristol)	4,202,315	3.2

Research and Development

Research and development (R&D) expenditure is expensed in the year in which it is incurred.

Directors' Report/Continued

Streamlined Energy and Carbon Reporting

The UK Government's Streamlined Energy and Carbon Reporting (SECR) policy was implemented on 1 April 2019, this is the Company's first time adoption of disclosures on energy and carbon. The table below represents Finsbury Food Group's energy use and associated greenhouse gas (GHG) emissions from electricity and fuel in the UK for the year ended 27 June 2020. The data covers 7 manufacturing sites in the UK.

UK Greenhouse gas emissions and energy use data for the period 30 June 2019 to 27 June 2020

Energy consumption used to calculate emissions (kWh)	kWh
Total Energy Consumption (kWh)	106,904,756
Energy consumption break down (kWh):	
Natural gas	67,208,470
Electricity	38,714,433
Transport	433,331
Diesel	367,909
LPG	180,613
	tonnes CO2e
Scope 1 emissions in metric tonnes CO2e	
Natural gas	12,357.62
Refrigerant emissions	179.90
Diesel	93.00
LPG	38.74
Company owned/leased vehicles	18.85
Scope 2 emissions in metric tonnes CO2e	
Purchase of electricity	9,025.88
Private vehicles on company business	85.28
Total gross emissions in metric tonnes CO2e	21,799.27
Intensity ratio tonnes CO2e per tonne produced	0.18

Emission factors are based on Government published 2020 GHG conversion factors.

Finsbury Food Group – SECR Methodology Statement 2020

The SECR submission has been compiled using the 2019 HM Government Environmental Reporting Guidelines.

Emissions have been grouped according to the GHG Protocol Corporate Standard.

We have used the following data sources for the report for the:

- Energy and Fuel Data – Energy supplier billing data and electricity half hour data;
- Transport Data – Company mileage records; and
- Refrigerant Emissions – Engineering maintenance records.

CO2 emissions have been calculated using the 2020 UK Government Conversion Factors for Company Reporting.

Emissions have been calculated for the company financial year 30 June 2019 to 27 June 2020.

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.

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 £36.2 million was drawn at 27 June 2020 leaving a headroom of £18.8 million plus a cash balance of £10.2 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.

Directors' Report/Continued

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 (2019: £9,000) were made. No political donations were made.

In response to the pandemic and support needed in the local communities we provided charitable food donations to NHS and key workers as well as local care homes.

Going Concern

There have been major disruptions to markets since March 2020 as a result of the impact of the Covid-19 pandemic. Post Covid-19 consumer spending behaviour and lifestyle choices are an unknown. Since the start, the Company has been guided by clear priorities to protect employees, safeguard supply, respond to new patterns of consumer demand and to preserve cash. The response by the Company to mitigate cash outflows was swift and proportionate with prioritisation and limitation of capital expenditure, salary reductions across senior executives, use of the furlough scheme and cancellation of interim dividend. We have continued our close working relationship with our banking partners and have full support with a reset of debt: EBITDA covenant tests at 26 December 2020 and 26 June 2021. Debt levels have decreased over the year by £9.1 million to £26.5 million with a debt to adjusted EBITDA measure of 1.1x down from 1.4x at 29 June 2019.

With knowledge and experience since lockdown a bottom-up full year 2021 budget and strategic forecast to June 2023 has been compiled, challenged and sensitivities have been considered. Our supply chain and manufacturing have been robust when faced with unprecedented fluctuation in demand. Revenue trends have improved over the final quarter, with April 24% down year on year, May, 19% down and June 14% down. The Group has a 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 and the Group has a relatively conservative level of debt to earnings. Having taken all the above factors into account the Directors believe that it remains appropriate to prepare the accounts on a Going Concern basis.

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 18 September 2020 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 24 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 21 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 30 years, 20 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 3 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 21 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

As Chairman of the Audit Committee I am pleased to outline below the responsibilities of the Committee and how the Committee has carried these out during the year.

Overview

The Committee met three times during the year. The external auditors attended all meetings at the invitation of the Committee Chairman. The Committee also met with the external auditors without the presence of Executive Directors or management.

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.

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;
- Valuation of goodwill and intangible assets;
- Impairment;
- Pensions; and
- Significant non-recurring items.

In terms of Going Concern the Committee considered the impact of Covid-19 on the budget for 2021/2 and a range of scenarios for both the budget and the business plan for 2023/24 including a reasonable worst-case scenario. It was concluded that the Going Concern basis is appropriate.

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 the audit, which was the second audit undertaken by PwC. The audit process was more efficient than previous years due to the use of new communication systems and a common business system used for the full year throughout the major sites. The discussions relating to judgemental items were carried out in a timely manner and the audit challenges were rigorous and appropriate.

During the year, the fees paid to the auditors, PwC, were £183,000 (2019: £193,000 for audit services, and £20,000 (2019: £nil) for non-audit services. No services were provided pursuant to contingent fee arrangements.

The Committee reviewed and considered a number of factors to assess the auditors' objectivity and independence, including their internal procedures, the degree and nature of challenges and scepticism shown by the partner. The Committee is satisfied with PwC's independence, objectivity and expertise and believes the Group is subjected to a rigorous audit process. The Board will recommend their ongoing appointment at the AGM.

Audit Committee Report/Continued

Risk Management and Internal Controls

The risk management process this year was improved by incorporating it into the early stage of the strategic planning process. A report was prepared that identified the risks, 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. The principal risks and uncertainties to which the Group is exposed are set out in the Strategic Report on pages 30 to 33.

During the year the Committee completed a full review and refresh of the Group's internal Control Framework, across five key process risk areas and approved revised delegated authorities. Related IT controls have been implemented, following the completion of the roll out of the new Financial M3 system. Policies and controls have now been harmonised across all sites and a process of a regular review of the Consolidated Statement of Financial Position has been introduced. It was agreed that the revised Controls Framework would provide a robust structure for future internal audit reviews.

A programme of rolling internal audit reviews was reviewed by the Committee together with follow up actions required. In particular the reviews this year focused on the implementation of the new M3 financial system and there were no material matters arising. The Committee agreed new internal audit procedures based on compliance with the new internal Control Framework.

Whistleblowing

The Committee considered reports of whistleblowing from the independent service provider and during the year approved a new policy to clarify the circumstances in which it is appropriate to use the whistleblowing procedure and to explain the legal protection for employees.

Other Matters

During the year the Committee completed a deep dive into cyber-security and received an independent assessment from Willis Tower Watson. The NCSC Cyber Essentials accreditation was achieved and the business is working to obtain the Essentials plus rating in 2021.

The Committee also received a presentation from the Group's Health and Safety Manager, outlining progress on the strategy. HSE engagement has increased significantly and goals agreed for all sites. Workplace is now used for inter-site communications and sharing best practices. The Committee recognised significant improvement during the past year.

Additional duties were to review foreign exchange, interest rate and commodity hedging policies, review the Group's insurance policies and a review of the Audit Committee's effectiveness.

Conclusion

Having given due and full consideration to all the matters referred to above, the Committee is satisfied that the Group has in place effective internal control systems and risk management process. The Committee is also satisfied that the Financial Statements present a fair, balanced and understandable view and provide shareholders with the necessary information to assess the Group's position and performance, strategy and business model.

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 27 June 2020.

A copy of our Directors' Remuneration Policy (the "Policy") which has been applied since 2017-18 is available on our website at www.finsburyfoods.co.uk/investor-relations/corporate-governance.

The Annual Report on Remuneration which is on pages 52 to 56 provides details of the amounts earned in respect of the year ended 27 June 2020.

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 2019-2020 Financial Year and Remuneration Outcome

The first half of the financial year was both a period of growth and of successful delivery against our strategic priorities, primarily driven by organic performance in UK Bakery as well as new business wins and the first full financial year contribution from our acquired Free From business, Ultrapharm.

Performance in the second half experienced significantly weaker trading as a result of the outbreak of Covid-19 at the end of March and the dramatic changes in demand the Group experienced thereafter. This impacted the financial performance of the Group with revenue and profit below the prior year levels. As set out on page 54, based on adjusted EBITDA performance of £24.4 million (pre first time adoption of IFRS 16), the Executive Directors did not earn a bonus for 2019-2020.

The Board also elected to take a 30% salary reduction between 1 April 2020 and 30 June 2020. This reduced the salary costs of the Group during this period. I would like to thank the Board for supporting the organisation during 2020.

The LTIP awards granted on 26 October 2017 were based on a three year performance period ending on 27 June 2020. The LTIP awards have lapsed. EPS (50% of the total award) as at 27 June 2020 was 7.70p which was below the threshold EPS target of 10.29p; 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).

The Committee awarded nil-cost share options as Performance Share Plan ("PSP") awards 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 immediately prior to the end of the Company's financial year ended 29 June 2019.

As outlined in the Directors' Remuneration Report last year, in order to recognise the contribution made and the importance of retaining and motivating the Executive Directors and the wider management team, the Committee also made an additional nil-cost share option award as Restricted Stock Awards ("RSA"). These awards are subject to continued employment for three years from the date of grant. The number of shares awarded to each Executive Director was equivalent to 100% of salary based on the closing price of the shares on the day prior to grant.

These awards and the respective conditions are detailed on page 56.

Remuneration in respect of the 2020-2021 Financial Year

The Committee is mindful of external developments linked to Covid-19. None of us are currently certain what the impact will be, or how long it will be felt. As set out below, we will proceed with great care in determining the operation of our Policy as detailed on www.finsburyfoods.co.uk/investor-relations/corporate-governance. for the year ending 26 June 2021. We will monitor business conditions and exercise judgement in applying discretion relating to 2020-2021 remuneration in the context of all relevant factors.

Salary and Fees

No base salary increases are proposed for the Executive Directors for the year ending 26 June 2021. The next review of Executive Directors' salaries will be undertaken in October 2021. 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 26 June 2021.

Annual Bonus

No changes are proposed to the bonus opportunity. The maximum bonus opportunity for the Executive Directors will be up to 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. At year-end, when we determine the performance outcomes for the year, we will be thoughtful in our assessment of results, balanced with the shareholder and workforce experience. Details of the performance targets for the 2020-2021 bonus will be reported in the 2021 Annual Report.

LTIP

Awards under the LTIP will be made following the announcement of our results. The maximum opportunity for the Executive Directors will be 100% of salary. The LTIP awards will be subject to EPS and relative TSR performance conditions. The targets will be disclosed in the Remuneration Report next year.

Marnie Millard

Chairman of the Remuneration Committee
18 September 2020

Directors' Remuneration Report (unaudited)/Continued

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 27 June 2020 and 29 June 2019:

2020	Salaries/ fees £000	Taxable benefits £000	Annual bonus £000	LTIP ¹ £000	Total remuneration £000
Executive Directors					
J G Duffy	394	12	-	-	406
S A Boyd	274	12	-	-	286
	668	24	-	-	692
Non-Executive Directors					
P Baker	79	-	-	-	79
R Beveridge	51	-	-	-	51
R P E Duignan	53	-	-	-	53
M J Millard	51	-	-	-	51
	234	-	-	-	234
	902	24	-	-	926

To mitigate cash outflows at the outset of the pandemic the Directors elected to take a 30% salary reduction between 1 April 2020 and 30 June 2020. This reduced the salary costs of the Group during this period. This reduction is reflected in the Executive Director and Non-Executive Director base salaries and fees in the table above.

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

¹ No long-term incentive awards vested with respect to a performance period ending during the year to 29 June 2019 or with respect to a performance ending during the year to 27 June 2020.

Directors' Remuneration Report (unaudited)/Continued

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 29 June 2019 and 27 June 2020 were as follows:

Executive Directors	From 1 October 2018	From 1 October 2019	Percentage increase
J G Duffy	£420,000	£427,980	1.9%
S A Boyd	£294,200	£299,790	1.9%

As outlined in the single figure table on page 53, the Executive Directors elected to take a 30% salary reduction between 1 April 2020 and 30 June 2020. This reduction is not reflected in the base salaries in the table above.

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 27 June 2020 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 £24.4 million, the threshold adjusted EBITDA target of £27.7 million was not achieved. Thus, the Executive Directors did not earn a bonus for 2019-2020.

The following table sets out the bonus pay-out to the Executive Directors for 2019-20 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 £24,408,000	nil	nil

Long-term Incentives

Awards granted on 26 October 2017 were based on performance over the three financial years to 27 June 2020 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 Below 10.29p 10.29p Between 10.29p and 12.46p 12.46p	% vesting 0 25% Straight-line vesting 100%	7.7pps	nil
50% of the award based upon Relative Total Shareholder Return against the FTSE Small Cap (excluding investment trusts) ("TSR") over the performance period	Relative TSR ranking Below median Median Between median and upper quartile Upper quartile	% vesting 0 25% Straight-line vesting 100%	Below median	nil
Total % of award vesting				nil

In arriving at the adjusted EPS out-turn of 7.70p the Committee has excluded the significant and non-recurring costs relating to restructuring and impairments.

	Number of shares granted	Number of shares vesting	Value of LTIP shares vesting
J G Duffy	438,200	nil	nil
S A Boyd	315,269	nil	nil

Directors' Remuneration Report (unaudited)/Continued

Chairman and Non-Executive Director Fees

Details of Chairman and Non-Executive Directors' fees for 2019-20 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

As noted in the single figure table on page 53, the Non-Executive Directors elected to take a 30% salary reduction between 1 April 2020 and 30 June 2020. This reduced the salary costs of the Group during this period and are not reflected in the table above.

Payments for Loss of Office Made During the Year

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

Statement of Directors' Shareholding and Share Interests

The interests of the Directors and their immediate families in the Company's ordinary shares as at 27 June 2020 and 29 June 2019 were as follows:

	27 June 2020	29 June 2019
Executive Directors		
J G Duffy	2,443,679	2,443,679
S A Boyd	1,095,543	1,095,543
Non-Executive Directors		
P Baker	96,817	96,817
R Beveridge	14,000	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 3.4 and 1.5 times salary respectively.

The interests of the Directors and their immediate families in the Company's ordinary shares did not change between 27 June 2020 and the date these accounts were signed on 18 September 2020.

The interests of each Executive Director of the Company as at 27 June 2020 and 29 June 2019 in the Company's share schemes were as follows:

Executive Director	Date of grant	Number of options 29 June 2019	Granted	Exercised	Lapsed	Number of options 27 June 2020
J G Duffy	26/06/2015	1,108,881	-	(1,108,881)	-	-
J G Duffy	04/12/2015	655,614	-	-	-	655,614
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
J G Duffy	28/10/2019	-	1,174,090	-	-	1,174,090
S A Boyd	26/06/2015	702,825	-	(702,825)	-	-
S A Boyd	04/12/2015	476,364	-	-	-	476,364
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
S A Boyd	28/10/2019	-	833,380	-	-	833,380
		4,282,562	2,007,470	(1,811,706)	(753,469)	3,724,857

Directors' Remuneration Report (unaudited)/Continued

Details of the LTIP awards granted on 28 October 2019 are given in the table below:

	Number of shares*	Basis of award**	Performance/vesting period	Performance conditions
J G Duffy	625,310	100% of salary Nil cost option (PSP Award)	3 financial years from 30 June 2019	50% subject to EPS growth and 50% subject to relative TSR (further details below)
J G Duffy	548,780	100% of salary Nil cost option (RSA)	3 years from 28 October 2019	Subject to continued employment only
S A Boyd	438,015	100% of salary Nil cost option (PSP Award)	3 financial years from 30 June 2019	50% subject to EPS growth and 50% subject to relative TSR (further details below)
S A Boyd	395,365	100% of salary Nil cost option (RSA)	3 years from 28 October 2019	Subject to continued employment only

* The total number of shares awarded under the RSA includes 36,585 options granted under the Company Share Option Plan (CSOP Option) for both J G Duffy and S A Boyd.

** The value of the shares subject to each PSP Award was calculated using the average price of the shares over the three business days immediately prior to the end of the Company's financial year ended 29 June 2019. The value of shares subject to each RSA (including the CSOP Option element) was calculated using the closing price of the shares on the day prior to grant.

PSP awards will be subject to a further two-year holding period following the end of the performance period; there is no holding period for the RSA.

PSP vesting of 50% of the award will normally be based upon the amount of the adjusted diluted Earnings Per Share (EPS) delivered in the final Financial Year of the three-year performance period beginning with the start of the Company's 2020 Financial Year. Below the threshold vesting target of 9.00p, none of this component of the award will vest. 25% of this component will vest if adjusted diluted EPS is 9.00p with 100% vesting at 10.72p and vesting determined on a straight-line basis between these figures. This is subject to the Committee's discretion to adjust vesting levels and/or substitute such condition with EBITDA target ranges if it considers that such condition is no longer a fair and appropriate measure of the Company's financial performance during the performance period, taking into account factors such as the Company's EBITDA performance relative to the wider market.

PSP 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.

RSA vesting (including the CSOP Option element) is conditional on employment on the third anniversary of grant. The PSP 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 18 September 2020 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 27 June 2020 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 Consolidated Financial Statements (the "Annual Report"), which comprise: the Consolidated Statement of Financial Position and Company Balance Sheet as at 27 June 2020; the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement and the Consolidated and Company Statements of Changes in Equity for the 52 weeks ended 27 June 2020; and the notes to the 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: £1.5 million (2019: £1.6 million), based on 0.5% of total revenues.
- Overall Company materiality: £1.5 million (2019: £1.2 million), based on 1% of total assets (restricted by Group materiality).

Audit Scope

- We performed full-scope audit procedures in respect of the Group's five largest manufacturing locations as well as Finsbury Food Group Plc.
- Our audit procedures covered entities contributing 90% of the Group's revenues for the 52 week period ended 27 June 2020.

Key Audit Matters

- Goodwill impairment assessment (Group).
- Recoverability of the Company investments in subsidiaries (Company).
- Impact of the outbreak of Covid-19 on the Financial Statements (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/Continued

Key audit matter	How our audit addressed the key audit matter
<p>Goodwill impairment assessment (Group) At 27 June 2020, the Consolidated Statement of Financial Position includes £73.2 million of goodwill (2019: £80.7 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). Management has prepared value in use calculations for each of the CGUs using board approved strategic plans. The impairment reviews include significant estimates and judgements in respect of future growth rates and cash flows, and the discount rate employed. The Ultrapharm business has developed slower than expected and additional resource has been invested into both the UK and Polish businesses. Commercial issues now exacerbated by Covid-19 have adversely affected cash flows and as a result an impairment charge of £7.5 million has been recognised.</p>	<p>We obtained the relevant CGU cash flow forecasts supporting management's calculation of value in use and evaluated the appropriateness of key assumptions. We assessed the methodology used by management in performing the assessments and challenged key inputs. Our procedures included:</p> <ul style="list-style-type: none"> • Verifying the accuracy of the underlying calculations in the model and agreeing the cash flow forecasts to the plan approved by the Board; • Evaluating the appropriateness of forecast cash flows by understanding management's process for forecasting, examining the support for forecast cash flows and assessing CGU specific cash flow assumptions such as testing the exclusion of cash flows to improve or enhance the CGU's performance; • Evaluating the appropriateness of the projected revenue growth rates used, both over the short-term to 2023 and over the longer-term, including assessing the assumptions over the impact of Covid-19 on trading; • Consideration of prior year and current performance in comparison to projected results; • Considering the impact of a range of sensitivities to assess the impact of reasonably possible changes in key assumptions to those used by management; • Evaluating the appropriateness of discount rates used, which included comparing the rate used to a range provided by our valuation experts; • Evaluating other key inputs to the cash flows, including the forecast margins and capital expenditure; and • Reviewing management's disclosures in the Financial Statements. <p>We believe that the assumptions in the value in model and therefore the impairment recorded are reasonable. We also believe that the disclosures in the Financial Statements in respect of sensitivities that would result in further impairment are appropriate.</p> <p>However, based upon this work, we concur with the assessment performed and with the impairment charge recognised in respect of goodwill. We consider that the carrying value of the remaining goodwill balance is materially correct and we believe that the disclosures in the Financial Statements are appropriate.</p>
<p>Recoverability of the Company investments in subsidiaries (Company) At 27 June 2020, the Company's Statement of Financial Position included £112.0 million of investments in subsidiaries (2019: £118.5m).</p> <p>In accordance with the requirements of IFRS, management has performed an analysis comparing the carrying amount of the investments with the calculated value in use (noted above). As a result of this an impairment of £6.5 million has been noted in relation to investments in relation to Ultrapharm and Anthony Alan Foods of £3.5 million and £3.0 million respectively. The impairment reviews include significant estimates and judgements in respect of future growth rates and cash flows, and the discount rate employed. The Ultrapharm business has developed slower than expected and additional resource has been invested into both the UK and Polish businesses which has resulted in an impairment charge of £3.0 million being recognised. For Anthony Alan Foods there are no future cash flows to consider hence an impairment charge of £3.0 million is recognised to write the balance of this investment down to nil.</p>	<p>We obtained the relevant subsidiary's cash flow forecasts supporting management's assessments and evaluated the appropriateness of key assumptions. We assessed the methodology used by management in performing the assessments and challenged and evaluated key inputs including:</p> <ul style="list-style-type: none"> • Verifying the accuracy of the underlying calculations in the model and agreeing the cash flow forecasts to the plan approved by the Board; • Evaluating the appropriateness of forecast cash flows by understanding management's process for forecasting, examining the support for forecast cash flows and assessing subsidiary or CGU specific cash flow assumptions such as testing the exclusion of cash flows to improve or enhance the subsidiary or CGU performance; • Evaluating the appropriateness of the projected revenue growth rates used, both over the short-term to 2023 and over the longer-term, including assessing the assumptions over the impact of Covid-19 on trading; • Consideration of prior year and current performance in comparison to projected results; • Considering the impact of a range of sensitivities to assess the impact of reasonably possible changes in key assumptions to those used by management; • Evaluating the appropriateness of discount rates used, which included comparing the rate used to a range provided by our valuation experts; • Evaluating other key inputs to the cash flows, including the forecast margins and capital expenditure; and • Reviewing management's disclosures in the Financial Statements. <p>Based on this work, we concur with the assessment performed and with the impairment charge recognised. We consider the carrying value of the investment balance to be materially correct.</p>

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

Key audit matter	How our audit addressed the key audit matter
<p>Impact of the outbreak of Covid-19 on the Financial Statements (Group and Company)</p> <p>In March 2020 the global pandemic from the outbreak of Covid-19 became significant and is causing widespread disruption to financial markets and normal patterns of business activity across the world, including the UK.</p> <p>Covid-19 has had a large impact on Finsbury Food Group Plc both operationally and further in relation to the forecasted future demand for product and consequential impact on funding and cash flow management. It has impacted the results of the Group and Company for the 2021 financial year to date and is expected to continue to impact the Group and Company for the remainder of 2020/21, albeit the severity of the impact is expected to reduce over time.</p> <p>Disclosure of the risk to the Group and Company of Covid-19 and management's conclusions on going concern and have been included within the relevant sections of the Annual Report.</p>	<p>We critically assessed management's assessment of the impact of Covid-19. We considered:</p> <ul style="list-style-type: none"> • The timing of the development of the outbreak across the world and in the UK; and • How the Financial Statements and business operations of the Group and Company might be impacted by the disruption. <p>In forming our conclusions over going concern, we evaluated whether management's going concern assessment considered impacts arising from Covid-19. Our procedures in respect of going concern included:</p> <ul style="list-style-type: none"> • We made enquiries of management to understand the potential impact of Covid-19 on the Company's financial performance, business operations and financial position; • We reviewed management's going concern assessment, based upon the bottom-up full year 2021 budget and strategic forecast to June 2023, to ensure the impacts of Covid-19 have been appropriately reflected; and • We have challenged the key assumptions in this assessment, including the availability of sufficient cash resources and compliance with future banking covenants. <p>Based on the work performed, we are satisfied that the matter has been appropriately evaluated and reflected in the Financial Statements and concur with management's assessment that the impact of Covid-19 has not had a significant impact on the going concern assessment.</p> <p>We also assessed the adequacy of disclosures related to Covid-19 included in the Financial Statements and assessed these to be appropriate.</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 six main manufacturing sites across the UK, together with a distribution centre in France, operations in 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 8 reporting components, 5 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 addressed components making up 90% 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	£1.5 million (2019: £1.6 million).	£1.5 million (2019: £1.2 million).
How we determined it	0.5% of total revenues.	1% of total assets (restricted by Group materiality).
Rationale for benchmark applied	Revenue 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 in line with prior year.	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. However, as this materiality was greater than overall Group materiality, we have restricted the entity materiality.

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 £0.2 million and £1.5 million.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £72,000 (Group audit) (2019: £79,000) and £72,000 (Company audit) (2019: £58,000) 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/Continued

Conclusions Relating to Going Concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- 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.

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.

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 27 June 2020 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 62, 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/Continued

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
18 September 2020

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

18 September 2020

Consolidated Statement of Comprehensive Income

for the 52 weeks ended 27 June 2020 and 52 weeks ended 29 June 2019

	Note	2020 £'000	2019 £'000
Revenue	2	306,348	315,281
Cost of sales		(210,881)	(219,849)
Gross profit		95,467	95,432
Administrative expenses	3	(80,401)	(78,939)
Administrative expenses – significant and non-recurring	4	(10,331)	(1,200)
Operating profit		4,735	15,293
Finance income	7	61	77
Finance cost	7	(1,928)	(1,794)
Net finance cost		(1,867)	(1,717)
Profit before tax		2,868	13,576
Taxation	8	(2,761)	(3,283)
Profit for the financial year		107	10,293
Other comprehensive (expense)/income			
Items that will not be reclassified to profit and loss			
Remeasurement on defined benefit pension scheme	14	(3,806)	(332)
Movement in deferred taxation on pension scheme liability	22	723	56
Other comprehensive expense for the financial year, net of tax		(3,083)	(276)
Total comprehensive income for the financial year		(2,976)	10,017
Profit attributable to:			
Equity holders of the Parent		(759)	9,287
Non-controlling interest		866	1,006
Profit for the financial year		107	10,293
Total comprehensive income attributable to:			
Equity holders of the Parent		(3,842)	9,011
Non-controlling interest		866	1,006
Total comprehensive (expense)/income for the financial year		(2,976)	10,017
Earnings per ordinary share			
Basic	9	(0.6)	7.3
Diluted	9	(0.6)	7.0

The Notes on pages 67 to 99 form an integral part of these Financial Statements

Consolidated Statement of Financial Position

at 27 June 2020 and 29 June 2019

	Note	2020 £000	2019 £000
Non-current assets			
Intangibles	10	88,626	97,664
Property, plant and equipment	12	61,736	57,009
Other financial assets	13	-	28
Deferred tax assets	22	4,623	3,655
		154,985	158,356
Current assets			
Inventories	15	14,618	14,805
Trade and other receivables	16	40,003	49,724
Cash and cash equivalents	17	10,173	12,358
Other financial assets – fair value of derivatives	13	-	176
		64,794	77,063
Total assets		219,779	235,419
Current liabilities			
Other interest-bearing loans and borrowings	18	(3,191)	(335)
Trade and other payables	20	(48,861)	(55,543)
Provisions	21	(471)	(2,640)
Other financial liabilities – fair value of derivatives	13	(501)	(218)
Deferred consideration	21	(481)	(1,000)
Current tax liabilities		(1,375)	(306)
		(54,880)	(60,042)
Non-current liabilities			
Other interest-bearing loans and borrowings	18	(45,113)	(47,390)
Provisions	21	(550)	(3,434)
Deferred consideration	21	(1,357)	(1,824)
Deferred tax liabilities	22	(2,117)	(1,800)
Pension fund liability	14	(15,174)	(11,312)
		(64,311)	(65,760)
Total liabilities		(119,191)	(125,802)
Net assets		100,588	109,617
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	(3,378)	(3,616)
Retained earnings	24	34,918	44,207
		98,378	107,429
Non-controlling interest		2,210	2,188
Total equity	24	100,588	109,617

These Financial Statements were approved by the Board of Directors on 18 September 2020 and were signed on its behalf by:

Stephen Boyd

Director

Registered Number 00204368

The Notes on pages 67 to 99 form an integral part of these Financial Statements

Consolidated Statement of Changes in Equity

for the 52 weeks ended 27 June 2020 and 29 June 2019

	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 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 issued from EBT	25	-	-	-	(499)	-	-	(499)
Shares issued during the year	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
Balance at 29 June 2019		1,304	64,956	578	(3,616)	44,207	2,188	109,617
Profit for the financial year		-	-	-	-	(759)	866	107
Other comprehensive (expense)/income:								
Remeasurement on defined benefit pension	14	-	-	-	-	(3,806)	-	(3,806)
Deferred tax movement on pension scheme remeasurement	22	-	-	-	-	723	-	723
Total other comprehensive expense		-	-	-	-	(3,083)	-	(3,083)
Total comprehensive income for the period		-	-	-	-	(3,842)	866	(2,976)
Transactions with owners, recorded directly in equity:								
Shares issued from EBT	25	-	-	-	1,207	(1,207)	-	-
Shares issued during the year	25	-	-	-	(969)	-	-	(969)
Impact of share-based payments	25	-	-	-	-	(1,066)	-	(1,066)
Deferred tax on share options		-	-	-	-	(182)	-	(182)
Foreign exchange translation differences		-	-	-	-	(17)	-	(17)
Dividend paid	26	-	-	-	-	(2,975)	(844)	(3,819)
Balance at 27 June 2020		1,304	64,956	578	(3,378)	34,918	2,210	100,588

The notes on pages 67 to 99 form an integral part of these Financial Statements.

Consolidated Cash Flow Statement

for the 52 weeks ended 27 June 2020 and 29 June 2019

	Note	2020 £000	2019 £000
Cash flows from operating activities			
Profit for the financial year		107	10,293
Adjustments for:			
Depreciation	3	7,656	7,366
Depreciation right of use assets	3	1,919	-
Significant non-recurring items	4	1,594	1,200
Net finance costs	7	1,867	1,717
Taxation	8	2,761	3,283
Amortisation of intangibles	10	1,734	1,328
Impairment of goodwill	10	7,500	-
Impairment of fixed assets	12	1,237	-
Change in fair value of foreign exchange contracts	13	73	178
Contributions by employer to pension scheme	14	(200)	162
Operating profit before changes in working capital		26,248	25,527
Changes in working capital:			
Decrease/(increase) in inventories		210	(62)
Decrease/(increase) in trade and other receivables		9,949	(3,321)
Decrease in trade and other payables		(9,192)	(2,199)
Cash generated from operations before costs of disposals and acquisitions		27,215	19,945
Costs relating to closure of bakeries and acquisitions		(1,887)	(3,534)
Lease payments		(3,362)	-
Interest paid		(1,088)	(856)
Tax paid		(1,822)	(2,040)
Net cash generated from operating activities		19,056	13,515
Cash flows from investing/divesting activities			
Purchase of property, plant and equipment and intangibles		(4,703)	(11,016)
Purchase of companies	21,29	(1,000)	(16,915)
Net cash used in investing activities		(5,703)	(27,931)
Cash flows from financing activities			
(Repayment)/drawdown of revolving credit	19	(10,960)	22,144
(Repayment)/drawdown of asset finance liabilities	19	-	828
Purchase of shares by employee benefit trust		(969)	(499)
Dividend paid to non-controlling interest	26	(844)	(890)
Dividend paid to shareholders	26	(2,975)	(4,283)
Net cash generated from/(used in) financing activities		(15,748)	17,300
Net (decrease)/increase in cash and cash equivalents		(2,395)	2,884
Opening cash and cash equivalents		12,358	9,363
Effect of exchange rate fluctuations on cash held		210	111
Cash and cash equivalents at end of period	17	10,173	12,358

The Notes on pages 67 to 99 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 27 June 2020 (prior financial year is the 52-week period ended 29 June 2019). 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 100 to 108.

Going Concern and Impact of Covid-19

In the current climate where there is uncertainty around the impact of Covid-19, relevant judgements and assumptions have to be made. This will include the impact of Covid-19 on the economy, the extent and duration of social distancing measures on demand and the workforce. The health and safety of our employees is a top priority and UK Government guidelines are being adhered to with regards to social distancing and working remotely. The Group has a resilient supply chain and production network and is working closely with all its major customers to navigate through the challenging trading environment. As a manufacturer of a wide range of baked goods the Covid-19 impact has varied considerably between businesses, there have been significant growth in demand in some areas of retail, reduction of demand in foodservice and we have experienced varying degrees of impact on demand across a range of product areas (in retail and foodservice). Demand recovery is anticipated across businesses at different rates. When considering going concern, judgement has to be made as to the extent of disruption and the ongoing challenges. Forecasts have been built on a bottom-up basis and stress tested to prepare an approved budget used as a basis for reviewing going concern. 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 of which £36.2 million was drawn at the year end with a further accordion available of £35.0 million. The Group’s forecasts and projections, taking account of reasonable 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.

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, 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 significant and non-recurring item and analysing whether the treatment of these items is consistent with accounting policies and practice. The FRC has issued guidance specifically in light of the impact of Covid-19 on business performance; this guidance will be considered when making a judgement on classifying material items that need separate disclosure. The main points to consider when identifying and disclosing non-recurring and significant items are:

- Not to describe items as non-recurring if expected in the future;
- Not to disclose (sunk, stranded or excess) costs solely as a result of the elimination of revenue stream as a result of Covid-19; and
- Not to identify incremental costs without the associated incremental revenue.

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/Continued

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, particularly in the challenging environment with the uncertainty around the impact of Covid-19, the extent and duration of social distancing measures and the impact on the economy. 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 benefit pension scheme that was closed to future accrual in May 2010. The net deficit 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 advisors 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 assets. 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. The carrying values are tested for impairment 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). 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; and
- Long term growth rates.

The impact of the Covid-19 pandemic has added a further level of complication and challenge due to the uncertainty of economic recovery and social distancing timeframes. Detailed bottom-up budgets have been prepared at business level and sensitivities applied; more complex assumptions had to be made on recovery rates of demand, adding more uncertainty into modelling than previous years.

Further detail can be found under the significant accounting policy for intangible assets and goodwill and in Note 10.

• 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 relate to property costs. The marketing of the newly refurbished properties is ongoing. 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. There is no expectation of material bad debts resulting from the Covid-19 impact on the economy, we are in close contact with customers to manage recoveries. See Note 21 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 relates to acquired businesses. Based on current and forecast levels of profitability, the losses are expected to be utilised within 3 years.

Notes to the Consolidated Financial Statements/Continued

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 27 June 2020.

- IFRS 16 "Leases" (effective 1 January 2019);
- Amendments to IFRS 9 – Financial Instruments on Prepayment Features with Negative Compensation (effective 1 January 2019);
- Amendment IAS 28 "Investments in associates" (effective 1 January 2019);
- Amendments to IAS 19, "Employee benefits" (effective 1 January 2019); and
- Annual improvements to IFRS Standards 2015–2017 Cycle (effective 1 January 2019).

With the exception of IFRS 16 "Leases", none of the amendments to the above standards had a material impact on the Financial Statements.

This is the first full year set of the Group's Financial Statements in which IFRS 16 has been applied. The Group has adopted IFRS 16 from 30 June 2019 using the modified retrospective approach, comparatives have not been restated. The reclassifications and adjustments from the new leasing rules are therefore recognised in the opening Consolidated Statement of Financial Position on 30 June 2019.

On transition the Group recognised a right of use lease asset of £16.3 million, being £15.0 million created from assets previously treated as operating leases under IAS 17 and £1.3 million relating to amounts transferred into right of use asset category which were previously treated as a finance lease under IAS 17. A lease liability of £15.8 million has been recognised on transition, being £15.0 million created from leases previously treated as operating leases Under IAS 17 and £0.8 million relating to amounts transferred into right of use asset category which were previously treated as a finance lease under IAS 17.

The impact on the Group's full year results are detailed in note 11. The impact of first time adoption of IFRS 16 are summarised as follows:

Performance measures impacted by IFRS 16	£m
EBITDA	+£1.8
Group operating profit	+£0.1
Group profit before taxation	(£0.1)
Basic EPS	(£0.1)
Net debt as at 27 June 2020	+£11.8m
Assets	+£9.4m

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 3 – Business Combinations (effective 1 January 2020);
- Amendments to IAS 1 – Presentation of Financial Statements on classification of liabilities (effective 1 January 2022);
- Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest rate benchmark reform (effective 1 January 2020); and
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatments (effective 1 January 2019).

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.

Notes to the Consolidated Financial Statements/Continued

1. Significant Accounting Policies/Continued

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 IFRS 9, 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.

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.

Notes to the Consolidated Financial Statements/Continued

1. Significant Accounting Policies/Continued

Leases

The Company leases various land and buildings, fork lift trucks and equipment. Rental contracts are typically made for fixed periods of between two months and eighteen years but may have extension options.

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the company is a lessee and for which it has major leases, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Leased assets may not be used as security for borrowing purposes. Until the 2019 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 30 January 2019, leases are recognised as a right of use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the company under residual value guarantees;
- The exercise price of a purchase option if the company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease.

If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right of use asset in a similar economic environment with similar terms, security and conditions.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right of use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right of use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right of use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right of use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Low-value assets comprise small items of warehouse equipment and office equipment.

As explained in notes 1 and 11, the company has changed its accounting policy for leases where the company is the lessee to comply with IFRS 16. The impact of the change is explained in Note 11.

IFRS 16 Leases sets out the principle for the recognition, measurement, presentation and disclosure of leases for both lessee and lessor. It eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model where the lessee is required to recognise assets and liabilities for all material leases that have a term greater than a year.

The Group has adopted IFRS 16 Leases using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 Leases was recognised as an adjustment to the opening balance of retained earnings at 29 June 2019 with no restatement of comparative information.

On adoption of IFRS 16 Leases, the Group recognised liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Groups' incremental borrowing rate as of 29 June 2019. The weighted average incremental borrowing rate applied is 2.21%.

Notes to the Consolidated Financial Statements/Continued

1. Significant Accounting Policies/Continued

In applying IFRS 16 Leases for the first time, the Group has used the following practical expedites permitted by the standard:

- The use of a single discount rate for portfolios of leases with reasonably similar characteristics;
- Accounting for low value (less than \$5,000) and certain leases with a remaining lease term of less than 12 months as at 29 June 2019 on straight-line basis as an expense without recognising a right of use asset or a lease liability; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Under IFRS 16 leases excluding low value and those with a remaining term of less than 12 months as at 29 June 2019 are recognised in the opening Consolidated Statement of Financial Position on 30 June 2019. Under IFRS 16 the previous leases charge has been replaced by the depreciation on the right of use asset and interest on the lease liability.

Prior to this change, leases of property, plant and equipment where the company, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in creditors: amounts falling due within 12 months and the long-term component was included in creditors: amounts falling due after more than one year.

Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there was no reasonable certainty that the company would obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the company as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

Intangible Assets and Goodwill

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

Impairment

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

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 assets' 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.

Notes to the Consolidated Financial Statements/Continued

1. Significant Accounting Policies/Continued

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 is measured at the fair value of consideration received or receivable excluding value added tax, trade discounts, transactions with or between subsidiaries and less the cost of price promotions and sales related rebates known as over-riders. Revenue represents the amounts derived from the sale of bakery products.

Revenue is recognised when the single performance obligation has been satisfied and this is when goods (bakery products) are transferred to the customer which takes place upon delivery of agreed goods to the customer.

Delivery occurs when the goods have been despatched to an agreed specific location or have been directly received by the customer and removed from an operational site by them. At this stage the risks of obsolescence and loss have been transferred to the customer, as it is deemed that the customer has accepted the products in accordance with the specific sales agreement for those goods.

Price promotions, sales related rebates and returns are provided for as a reduction to revenue recognised based on management's best estimate of the amount required to meet claims by customers, taking into account contractual and legal obligations which are typically known, historical trends and accumulated past experience.

A receivable is recognised on the delivery of goods as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

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 lease liabilities recognised using the effective interest method, unwinding of the discount on provisions and deferred consideration, interest on the net defined benefit pension plan position and adverse changes in the fair value of interest rate swaps.

Finance income comprises interest receivable on funds invested and favourable changes in the fair value of interest rate swaps. Interest income is recognised in Consolidated Statement of Comprehensive Income as it accrues, using the effective interest method.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of 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.

Government Grants

Furlough grants claimed to cover employee costs who have been furloughed during the pandemic are recognised in the Consolidated Statement of Comprehensive Income in the same period in which the related expense occurred. Related costs and income have been included in administrative expenses.

Notes to the Consolidated Financial Statements/Continued

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

The Overseas segment procures and sells bakery products to European grocery and food service sectors. 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 acquired business in UK Bakery and Overseas. For detail on the acquisition see Note 30.

Revenue	UK bakery		Overseas		Total Group	
52 weeks to 27 June 2020 and 52 weeks to 29 June 2019	2020 £000	2019 £000	2020 £000	2019 £000	2020 £000	2019 £000
Total	271,414	278,533	34,934	36,748	306,348	315,281
Reportable Segments						
Revenue UK bakery			271,414		278,533	
Revenue Overseas			34,934		36,748	
Total revenue			306,348		315,281	
Adjusted operating profit UK bakery			13,162		14,180	
Adjusted operating profit Overseas			1,777		2,653	
Total adjusted operating profit			14,939		16,833	
Significant non-recurring impairment			(8,737)		-	
Significant non-recurring other			(1,594)		(1,200)	
Defined benefit pension scheme			200		(162)	
Fair value foreign exchange contracts			(73)		(178)	
Operating profit			4,735		15,293	
Finance income			61		77	
Finance expense			(1,928)		(1,794)	
Net finance cost			(1,867)		(1,717)	
Profit before taxation			2,868		13,576	
Taxation			(2,761)		(3,283)	
Profit for the financial year			107		10,293	

The Group has three customers (2019: three) which individually account for 10 per cent or more of the Group's total revenue. These customers individually account for 21 per cent, 12 per cent and 10 per cent. In the prior year these same three customers accounted for 20 per cent, 13 per cent and 10 per cent of the revenue in the 52 weeks to 29 June 2019. 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/Continued

3. Administrative Expenses and Auditors' Remuneration

Included in profit are the following:

	2020 £000	2019 £000
Amortisation of intangibles	1,734	1,328
Depreciation of owned tangible assets	7,656	7,072
Depreciation on right of use assets	1,919	-
Depreciation on assets under finance leases and hire purchase contracts	-	294
Impairment of fixed assets	1,237	-
Impairment of goodwill	7,500	-
Loss on foreign exchange	213	166
Variable lease payments	193	-
Expenses relating to short-term and low-value leases	164	-
Hire of plant and machinery – operating leases	-	765
Hire of other assets – operating leases	-	806
Movement on fair value of foreign exchange contracts	73	178
Research and development	2,244	1,987
Share option charges	145	697

Depreciation recognised on right of use assets in the year in relation to leases previously recognised as operating leases under IAS 17 upon adoption of IFRS 16 is £1,734,000. The remainder of the depreciation on right of use assets relates to assets previously treated as finance leases under IAS 17.

Auditors' remuneration:

	2020 £000	2019 £000
Audit of these Financial Statements	50	60
Audit of the Financial Statements of subsidiaries of the Company	118	133
Other services	20	-

Other services relate to assistance with non-UK VAT registrations.

4. 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 36 of the Financial Review section are the following costs:

	2020 £000	2019 £000
Commissioning costs	257	-
Impairment of goodwill (Refer to Note 10)	7,500	-
Impairment of fixed assets (Refer to Note 12)	1,237	-
Other reorganisation people costs	1,337	823
Site closures – property, leases and contract costs	-	(152)
Acquisition related costs	-	529
	10,331	1,200

Commissioning costs relate to the associated commissioning costs of a new bakery in Poland and have been classed as significant non-recurring due to their nature. Reorganisation costs relate to the strategic reorganisation of the Group following the varying degrees of the impact of the pandemic on the businesses within the Group.

There has been an impairment of the goodwill relating to the Ultrapharm acquisition, which based on current performance was deemed to be overvalued, note 10 provides further detail.

There has been a fixed asset impairment of assets held at the Cardiff site; this reflects the specific writing down of an asset where there were no firm plans to utilise the asset given the outlook of no sales and a market recovering from a global pandemic.

Notes to the Consolidated Financial Statements/Continued

5. 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	
	2020	2019
Production	2,654	2,541
Selling and distribution	117	145
Administration, technical, new product development	406	376
	3,177	3,062

The aggregate payroll costs of these persons were as follows:

	2020	2019
	£000	£000
Wages and salaries	77,913	72,937
Share option charges	145	697
Social security costs	6,987	6,828
Charge in respect of defined benefit plans	200	200
Charge in respect of defined contribution pension plans	2,099	1,681
	87,344	82,343

6. Remuneration of Directors

	2020	2019
	£000	£000
Fees	234	310
Executive salaries	690	738
	924	1,048

The aggregate of emoluments and amounts receivable under long-term incentive schemes of the highest paid Director was £404,000 (2019: £432,000), there were no Company pension contributions made to a defined contribution scheme during the current or prior year. No bonuses were paid in the current or prior year.

There were 1,108,881 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 27 June 2020 £000	Year ended 29 June 2019 £000
P Baker	79	-	-	-	79	85
R Beveridge	51	-	-	-	51	56
S A Boyd – paid	-	276	10	-	286	306
J G Duffy – paid	-	394	10	-	404	432
R P E Duignan	53	-	-	-	53	57
M J Millard	51	-	-	-	51	53
Z Morgan	-	-	-	-	-	59
	234	670	20	-	924	1,048

During the year 602,819 shares were issued to J G Duffy (2019: nil) and 382,075 shares were issued to S A Boyd (2019: nil) in settlement of the exercise of share options. During the year awards over 2,007,470 shares under the long-term incentive plan (LTIP) were granted to Directors in the form of nil cost options (2019: 585,409). The vesting of the 1,063,325 awards is conditional upon performance conditions over a three-year period commencing 30 June 2019 and are subject to a further two-year holding period. The vesting of 944,145 awards is conditional on employment with no holding period.

Notes to the Consolidated Financial Statements/Continued

6. Remuneration of Directors/Continued

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

	Number of options at 27 June 2020	Number of options at 29 June 2019	Exercise price	Earliest exercise date	Exercise expiry date
S A Boyd	-	702,825	nil	01/07/2019	26/06/2025
S A Boyd	476,364	476,364	nil	01/07/2020	04/12/2025
S A Boyd	-	315,269	nil	02/07/2022	26/10/2027
S A Boyd	241,147	241,147	nil	07/07/2023	21/01/2029
S A Boyd	395,365	-	nil	28/10/2022	28/10/2029
S A Boyd	438,015	-	nil	30/06/2024	28/10/2029
J G Duffy	-	1,108,881	nil	01/07/2019	26/06/2025
J G Duffy	655,614	655,614	nil	01/07/2020	04/12/2025
J G Duffy	-	438,200	nil	30/06/2021	29/09/2026
J G Duffy	344,262	344,262	nil	07/07/2023	21/01/2029
J G Duffy	548,780	-	nil	28/10/2022	28/10/2029
J G Duffy	625,310	-	nil	30/06/2024	28/10/2029
	3,724,857	4,282,562			

The mid-market price of the ordinary shares on 27 June 2020 was 59.3p (2019: 67.0p) and the range during the 52-week period to 27 June 2020 was 53.0p to 104.0p (2019: 60.0p to 127.0p).

7. Finance Income and Cost

Recognised in the Consolidated Statement of Comprehensive Income

	2020 £000	2019 £000
Finance income		
Interest on interest rate swap agreements	44	60
Bank interest receivable	17	17
Total finance income	61	77
Finance cost		
Interest on net pension position	(256)	(282)
Change in fair value of interest rate swaps	(386)	(382)
Bank interest payable	(999)	(991)
Unwinding of discount on deferred consideration	(14)	(139)
Lease liabilities	(273)	-
Total finance cost	(1,928)	(1,794)

Notes to the Consolidated Financial Statements/Continued

8. Taxation

Recognised in the Consolidated Statement of Comprehensive Income

	2020 £000	2019 £000
Current tax		
Current year	2,762	2,969
Adjustments for prior years	6	194
Total current tax	2,768	3,163
Deferred tax		
Origination and reversal of temporary differences	130	136
Rate change	(222)	-
Adjustments for prior years	85	(16)
Total deferred tax	(7)	120
Total tax expense	2,761	3,283

Reconciliation of Effective Tax Rate

The weighted average hybrid rate of UK, Polish and French tax is 22.6% (2019: 21.4%). The tax assessed for the period is higher (2019: higher) than the hybrid rate of UK and French tax. The UK corporation tax rate for the period is 19.0% (2019: 19.0%). The differences are explained below:

	2020 £000	2019 £000
Profit before taxation	2,868	13,576
Non-deductible intangible impairment	7,500	-
	10,368	13,576
Tax using the UK corporation tax rate of 19.00%, (2019: 19.00%)		
	1,970	2,579
Overseas profits charged at different taxation rate	439	481
Non-deductible expenses and timing differences	479	195
Restatement of opening net deferred tax due to rate change and differences in rates	(218)	(60)
R&D uplift current year	-	(90)
Adjustments to tax charge in respect of prior periods	91	178
Total tax expense	2,761	3,283

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. This was reversed in March 2020 with the UK corporation tax remaining at 19%. The deferred tax assets and liabilities at 27 June 2020 have been calculated based on a rate of 19%.

The adjustment of £91,000 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 £182,000 (2019: £163,000) 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.

9. 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 127,128,000 (2019: 127,511,000).

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 27 June 2020, the diluted weighted average number of shares in issue was 130,820,000, (2019: 131,889,000).

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;
- IFRS 9 '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; and
- Amortisation of intangible assets.

Notes to the Consolidated Financial Statements/Continued

9. Earnings Per Ordinary Share/Continued

	52 weeks to 27 June 2020	52 weeks to 29 June 2019
	£000	£000
Profit		
(Loss)/profit attributable to equity holders of Company (basic)	(759)	9,287
Significant non-recurring and other items	10,223	2,021
Intangible amortisation net of deferred tax	574	564
Numerator for adjusted earnings per share calculation (adjusted basic)	10,038	11,872
	Basic '000	Diluted '000
Shares		
Weighted average number of ordinary shares in issue during the period	127,128	127,511
Dilutive effect of share options	- 3,692	- 4,378
	127,128	130,820
	Basic pence	Diluted pence
Earnings per share (pence per share)		
Basic and diluted	(0.6)	(0.6)
Adjusted basic and adjusted diluted	7.9	7.7
	Basic pence	Diluted pence

Significant non-recurring and other items net of taxation are tabled in the Strategic Report on page 36 and comprise: impairment of goodwill and fixed assets £8,502,000, (2019: nil), significant non-recurring charges £1,291,000 (2019: £1,072,000), defined benefit pension scheme charge £45,000 (2019: charge £369,000), fair value of interest rate swaps, foreign exchange contracts charge £372,000 (2019: £465,000 charge) and the unwinding of deferred consideration discounting charge £13,000 (2019: charge £115,000).

10. 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 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
Additions	-	196	-	-	196
Cost at 27 June 2020	85,004	10,177	3,683	7,630	106,494
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)
Charge for the year	-	(1,025)	(143)	(566)	(1,734)
Impairment	(7,500)	-	-	-	(7,500)
Accumulated amortisation at 27 June 2020	(11,790)	(1,851)	(1,645)	(2,582)	(17,868)
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
Net book value at 27 June 2020	73,214	8,326	2,038	5,048	88,626

The customer relationships recognised in the opening costs were purchased as part of the Ultrapharm acquisition in September 2018 and 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 Consolidated Statement of Comprehensive Income. 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.

Notes to the Consolidated Financial Statements/Continued

10. Intangibles/Continued

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.

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.

There have been major disruptions to markets since March 2020 as a result of the impact of the Covid-19 pandemic. Post Covid-19 consumer spending behaviour and lifestyle choices are an unknown. With knowledge and experience since lockdown a bottom-up full-year 2021 budget and strategic forecast to June 2023 has been compiled.

The forecasts have taken in consideration the following key factors:

1. Covid-19 has had an impact on markets, focus is on a rebuild of the business to a 'new normal' with difficulty in predicting timescale for recovery and the impact of recessionary pressures;
2. Latest market forecast and market research data has been considered when making commercial judgements;
3. Detailed SWOT analysis of all businesses with strategic plan to respond to challenges;
4. Plans to combat inflationary pressures particularly labour costs in UK and Europe;
5. There are ingredient challenges during the lockdown environment, these have been factored into the forecasts;
6. Operating Brilliance Programme will support improved efficiencies and help drive recipe value engineering, plausible improvements have been built in; and
7. Leadership teams strengthened to help realise a step change in growth particularly in the Free From area.

The forecasts covering a three-year period are based on the detailed financial forecasts challenged and approved by management for the next three years. The cashflows beyond this forecast are extrapolated to perpetuity using a 1.1% (2019: 0.5%) growth rate for all of the CGUs.

The starting position has been impacted by Covid-19 and growth we believe is relatively 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 to the extent that can be anticipated.

The strategic forecast process commenced in November 2019 to review consumer and competitor insight to prepare the foundations for the financial forecasts; this groundwork was completely overtaken by events surrounding the worldwide pandemic. The recent strategic forecasts were prepared as late as possible in the financial year to allow further insights into the post lockdown environment and the journey to recovery. We have been encouraged by the recovery in the final quarter of the year to 27 June 2020 with revenue trends improving, with April 24% down year on year, May, 19% down and June 14% down.

The revenue growth rate in the strategic forecast 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. External market data and trends are considered when predicting growth rates. Compound annual growth rates for revenues for the three-year forecast period range from 3.7% to 14.0%, reflecting the recovery from the lower base year and budget year that have been impacted by the Covid-19 pandemic.

A pre-tax discount rate of 9% (2019: 11%) has been used in these calculations. The discount rate uses weighted average cost of capital which reflects the returns on government bonds and an equity risk premium adjusted specifically for Finsbury plus further risk premiums that consider cash generating unit risk. 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 has decreased by 2% to take account of the removal of a small company risk premium that had been included in the prior year; the spread of investors and liquidity supports the exclusion of this risk premium. 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. When considering the Ultrapharm discount rate a further 0.5% has been added for the overseas risk element.

Notes to the Consolidated Financial Statements/Continued

10. Intangibles/Continued

The table below shows the carrying values of goodwill allocated to cash generating units or groups of cash generating units. When calculating the discount rate that would need to be applied for there to be zero headroom, the discounted cashflows were compared against the carrying amount of goodwill, plant property and equipment and the first-time recognition under IFRS 16 of right of use assets for leases which were previously treated as operating leases under IAS 17. The discount rates are shown in the table below:

	Carrying value of goodwill 2020 £000	2019 £000	Discount rate at which headroom is nil 2020 %	2019 %
Lightbody of Hamilton	45,698	45,698	20.8	18.8
Fletchers Bakery	20,118	20,118	12.4	15.0
Ultrapharm*	4,046	11,546	*9.5	-
Nicholas & Harris	2,980	2,980	51.3	45.9
Johnstone's Food Service	372	372	92.3	83.5
	73,214	80,714		

* 9.5% with £7.5 million impairment taken.

Impairment

An impairment charge has been booked against the Ultrapharm cash generating units. The business has proven more immature than expected and additional resource has been invested into both the UK and Polish businesses. We face commercial issues (in part relating to a small warranty claim) now exacerbated by Covid-19 which have adversely affected cashflows and hence valuation. We believe that the Gluten Free sector remains attractive and that performance will meet our expectations over time. The conclusion is that, based on current performance, the business is overvalued. The strategic forecast revenues and profits have been sensitised and a downside forecast has been considered giving reduced cashflow assumptions, which, when compared to the carrying value of assets, has indicated an impairment is necessary. A non-cash impairment of £7.5 million has been recognised in the current year's financial results. The downside forecast has been used as a basis for calculating the impairment charge. Revenue in this forecast is expected to grow over the next three years at an annual growth rate of 10%. Each 1% reduction in the annual growth rate over the three year period, compared to forecast, would have an impact of £260,000 on the impairment charge.

The discount rate at which the headroom is nil for Fletchers Bakery is 12.4%. There are key strategies in place in order to improve the performance of Fletchers. New opportunities are in the later stages of customer negotiations for new products into existing customers. An uplift is expected at Easter which was severely disrupted in 2020 by the pandemic. There are also further opportunities in the new product development pipeline that are expected to be realised in the short term. Sensitivities have been carried out to exclude any growth, which, after returning to pre- Covid-19 level of sales, demonstrates that headroom still exists. It has been concluded that no impairment was necessary on the carrying value of goodwill relating to the Fletchers Bakery at 27 June 2020.

Sensitivity analyses have been carried out by the Directors on the carrying value of all remaining goodwill using pre-tax discount rates up to 12.5% which would not result in an impairment of any cash generating units.

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 1.0% was replaced with zero growth rate;
- If future growth rate assumption of 1.0% was replaced with a decline of 1.0%.

There are many uncertainties surrounding the recovery, consumer response, retailer dynamics and inflationary impact. Immediate response has been a series of cost-saving initiatives and the acceleration of operational improvement plans, the strategic responses have been around restructuring capacity, development of supply chain systems to accelerate leveraging group scale and driving growth agenda with customers. Where we have identified market and product challenges that will lead to unacceptable recovery timescales, we have taken the decision to recognise a non-cash impairment.

In addition to the Covid-19 priorities, 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 programme. We believe we have strategies that would minimise the impact and the directors are satisfied with the carrying value of the remaining cash generating units.

Notes to the Consolidated Financial Statements/Continued

11. Leases

This is the first full-year set of the Group's Financial Statements in which IFRS 16 has been applied. The Group has adopted IFRS 16 from 30 June 2019 using the modified retrospective approach, comparatives have not been restated. The reclassifications and adjustments from the new leasing rules are therefore recognised in the opening Consolidated Statement of Financial Position on 30 June 2019. Under IFRS 16 the previous operating leases charge has been replaced by the depreciation on the right of use asset and interest on the lease liability. The Group leases many assets including land and buildings, vehicles, machinery and equipment.

The impact on the Consolidated Statement of Financial Position as at 27 June 2020 and the Consolidated Statement of Comprehensive Income for the 52 weeks to 27 June 2020 are shown in the tables below:

(i) Amounts recognised in the Consolidated Statement of Financial Position:

Property plant and equipment comprises owned and leased assets that do not meet the definition of investment property.

	Note	27 June 2020 £000
Property plant and equipment owned	13	52,302
Right of use assets	13	9,434
		61,736

Included within right of use assets in the table above are assets with a net book value of £1,373,000 previously recognised as a Finance lease under IAS 17.

Right of use assets

	Property £000	Plant, equipment and vehicles £000	Total £000
Adjustment on transition to IFRS 16			
Assets previously recognised as a finance lease under IAS 17	-	1,373	1,373
Assets previously recognised as an operating lease under IAS 17	14,031	941	14,972
Onerous lease transferred as a proxy for impairment on transition (Note 21)	(3,804)	-	(3,804)
Total adjustments on transition to IFRS 16	10,227	2,314	12,541
Lease modifications – Note 21	(454)	-	(454)
Reversal of impairment	454	-	454
Depreciation charge for the year	(1,368)	(551)	(1,919)
Balance at 27 June 2020	8,859	1,763	10,622

Right of use assets recognised upon adoption of IFRS 16 previously recognised as operating leases under IAS 17 on 30 June 2019 were £11,168,000 (cost £14,972,000 net of impairment of £3,804,000) and £1,373,000 previously recognised as a finance Lease under IAS 17. There were no additions to right of use assets during the year.

Depreciation for the period to 27 June 2020 on right of use assets for leases previously treated as operating leases under IAS 17 is £1,734,000 and a net book value at 27 June 2020 of £9,434,000.

Lease liabilities

	At 27 June 2020 £000	At 30 June 2019 £000
Contracted undiscounted minimum lease payments		
Not later than one year	3,369	3,587
Later than one year and not later than five years	6,658	7,606
Later than five years	3,859	5,321
Total gross payments	13,886	16,514
Discounted using the Group's weighted average incremental borrowing rate	12,495	15,709
Less low-value leases not recognised as a liability	(22)	(31)
Less short-term and low-value leases recognised as an expense on a straight-line basis	(164)	(234)
Add/less adjustments as a result of a different treatment of termination options	(14)	356
Lease liability recognised	12,295	15,800
Current lease liability	3,191	3,105
Non-current lease liability	9,104	12,695

Lease liabilities recognised on adoption of IFRS 16 on 30 June 2019 for assets previously treated as operating leases under IAS 17 were £14,972,000 these had a closing value of £11,823,000 at 27 June 2020.

Notes to the Consolidated Financial Statements/Continued

11. Leases/Continued

(ii) Amounts recognised in the Consolidated Statement of Comprehensive Income

52 weeks ended
27 June 2020
£000

Interest on lease liabilities	(273)
Variable lease payments not included in the measurement of lease liabilities	(193)
Expenses relating to short-term leases	(164)
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	(16)

Consolidated Statement of Comprehensive Income Impact of IFRS 16 in comparison to when IAS 17 applied*

52 weeks ended
27 June 2020
£000

Reduction in lease rentals	1,840
Depreciation on right of use assets	(1,734)
Impact on the operating profit	106
Lease related interest costs	(247)
Overall impact on Group profit before tax of IFRS 16	(141)

* The table above does not include impact of leases previously recognised as finance leases under IAS 17 as there is no change in accounting treatment of these leases under IFRS 16.

(iii) Amounts recognised in the Consolidated Cash Flow Statement

Cash flow impact

52 weeks ended
27 June 2020
£000

Total cash outflow for lease rentals	3,362
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Impact on earnings per share

The impact on earnings per share for the 52 weeks to 27 June 2020 as a result of first time adoption of IFRS 16 is a reduction of (0.1) pence per share.

Notes to the Consolidated Financial Statements/Continued

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 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
Balance at 29 June 2019	22,580	82,345	5,531	2,559	113,015
Adjustment on transition to IFRS 16	14,030	941	-	-	14,971
Balance at 30 June 2019	36,610	83,286	5,531	2,559	127,986
Exchange adjustments	-	(155)	-	-	(155)
Additions	753	5,122	158	(1,503)	4,530
Acquisitions	-	-	-	-	-
Disposals	(58)	(332)	-	-	(390)
Lease modifications under IFRS 16	(454)	-	-	-	(454)
Balance at 27 June 2020	36,851	87,921	5,689	1,056	131,517
Accumulated depreciation and impairment					
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)
Balance at 29 June 2019	(6,195)	(45,650)	(4,161)	-	(56,006)
Adjustments on transition to IFRS16 – Note 21	(3,804)	-	-	-	(3,804)
Balance at 30 June 2019	(9,999)	(45,650)	(4,161)	-	(59,810)
Exchange adjustments	-	-	4	-	4
Depreciation charge for the financial period	(2,149)	(7,061)	(365)	-	(9,575)
Impairment (Note 4)	-	(1,237)	-	-	(1,237)
Disposals	58	325	-	-	383
Lease modifications under IFRS 16	454	-	-	-	454
Balance at 27 June 2020	(11,636)	(53,623)	(4,522)	-	(69,781)
Net book value					
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
At 27 June 2020	25,215	34,298	1,167	1,056	61,736

Property, plant and equipment includes right of use assets recognised for leases previously recognised as operating leases under IAS 17 upon adoption of IFRS 16 of £11,168,000 (cost £14,971,000 net of impairment of £3,804,000 see Note 21) and £1,373,000 previously recognised as a Finance lease under IAS 17 (see Note 11).

There were no additions to right of use assets during the year.

There has been a non-cash impairment of assets at the Cardiff site, this reflects the specific writing down of an asset where there were no firm plans to utilise the asset.

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/Continued

13. Other Financial Assets and Liabilities

	2020 £000	2019 £000
Non-current		
Other financial assets	-	28
Current assets – derivatives		
Fair value of interest rate swaps	-	176
Total of derivatives with positive Fair values	-	176
Current liabilities – derivatives		
Fair value of interest rate swaps	(210)	-
Fair value of foreign exchange contracts	(291)	(218)
Total of derivatives with negative Fair values	(501)	(218)

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%; and
- £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 (2019: £25.0 million).

A charge of £386,000 (2019: charge £382,000) 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 £73,000 (2019: charge £178,000) 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 £2,099,000 (2019: £1,681,000).

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 (2019: nil), 168 deferred pensioner members (2019: 175) and 229 pensioner members (2019: 227).

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 27 June 2020 relating to defined benefit pension are based on a full actuarial valuation dated 31 December 2018.

A £200,000 contribution was paid during the financial year by Memory Lane Cakes Limited (2019: £200,000). The Group's contribution has been agreed based on the outcome of the full actuarial valuation dated 31 December 2015. An updated contribution schedule based on the outcome of the full actuarial valuation dated 31 December 2018 was effective from 1 July 2020. The valuation of the Scheme on an equity/bond basis and projected unit method, showed that there was a deficit at 31 December 2018 of £12,742,000 equivalent to a 42% deficit of liabilities over assets. The valuation was conducted by a qualified independent actuary. This deficit is payable at a rate of £500,000 per annum until April 2047. The next full valuation will be prepared as at 31 December 2021 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 present value of the Company's committed deficit reduction contributions does not give rise to a net pension asset or additional Consolidated Statement of Financial Position liability in accordance with IFRIC 14.

The investments are managed by a fiduciary investment manager River and Mercantile who were appointed as fiduciary investment manager in December 2018. 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 with the introduction of hedging strategies to its investment portfolio. 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.

Notes to the Consolidated Financial Statements/Continued

14. Pension Schemes/Continued

The full actuarial valuation differs from the financial year-end valuation deficit of £15,174,000 (2019: £11,312,000). 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.

	2020 £000	2019 £000
Fair value of plan assets	19,607	19,238
Present value of defined benefit obligations	(34,781)	(30,550)
Deficit recognised	(15,174)	(11,312)

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

	2020 £000	2019 £000
Multi-asset growth fund	12,617	14,405
Liability-hedging portfolio (gilts/swaps)	2,856	2,256
Other	1,704	1,580
Property	717	753
Cash	1,713	244
Fair value of plan assets	19,607	19,238
Actual return on plan assets	959	886

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

	2020 £000	2019 £000
Movements in present value of defined benefit obligation		
At beginning of financial year	(30,550)	(29,370)
Past service costs	-	(362)
Interest on plan obligations	(687)	(784)
Benefits paid	790	682
Remeasurement – experience gain on liabilities	-	1,614
Remeasurement – (loss)/gain from changes to financial assumptions	(4,334)	(2,631)
Remeasurement – gain from changes to demographic assumptions	-	301
At end of financial year	(34,781)	(30,550)

Movements in fair value of plan assets

	2020 £000	2019 £000
At beginning of financial year	19,238	18,834
Interest on plan assets	431	502
Return on plan assets less interest	528	384
Benefits paid	(790)	(682)
Contributions by employer	200	200
At end of financial year	19,607	19,238

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.

Notes to the Consolidated Financial Statements/Continued

14. Pension Schemes/Continued

	2020 £000	2019 £000
Expense recognised in the Consolidated Statement of Comprehensive Income		
Past service costs	-	(362)
Interest on plan assets/finance income	431	502
Interest on plan obligations/finance expense	(687)	(784)
Total expense	(256)	(644)

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	(13,135)	(12,803)
Recognised in the financial year – return on plan assets less interest	528	384
Recognised in the financial year – experience gains on liabilities	-	1,614
Recognised in the financial year – (loss)/gain from changes to financial assumptions	(4,334)	(2,631)
Recognised in the financial year – gains from changes to demographic assumptions	-	301
Cumulative amount at end of financial year	(16,941)	(13,135)

	2020 %	2019 %
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Principal long-term actuarial assumptions at the year end

CPI price inflation assumption	2.35	2.40
Increases to pensions in payment	2.35	2.40
Discount rate for liabilities	1.50	2.30
Rate of return for plan assets	1.50	2.30

The differential between the assumed rate of inflation and the discount rate for liabilities is 0.85% (2019: 0.10%).

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 27 June 2020 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% (2019: 5%). The actual return has been impacted by the worldwide Covid-19 pandemic that has had a profound impact on the economy as countries went into lockdown; uncertainty and volatility remain a feature of the current equity markets.

Changing the year end 2020 assumptions to those of 2019 year end listed above, the deficit would have been £10,840,000 compared to the reported deficit of £15,174,000.

	2020	2019
Post-retirement mortality assumption	S3NA tables with CMI 2017 (core parameters) projections and 1.25% pa long-term rate of improvement	S3NA year of birth tables with CMI 2017 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:

	2020	2019
Male currently at age 45	24.1	24.0
Female currently at age 45	26.4	26.3
Male currently at age 65	22.7	22.6
Female currently at age 65	25.0	24.9
Allowance for GMP equalisation (increase liabilities at the review date by):	1.2%	1.2%

Notes to the Consolidated Financial Statements/Continued

14. Pension Schemes/Continued

Sensitivity Analysis

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

	2020
Discount rate plus 0.5%	(£3.00 million)
Discount rate minus 0.5%	£3.43 million
Inflation plus 0.5%	£3.22 million
Inflation minus 0.5%	(£3.18 million)
Life expectancy plus 1.0 years	£1.46 million
Life expectancy minus 1.0 years	(£1.49 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 27 years.

Risk Mitigation Strategies

During the previous 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 were 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 took 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 2021. 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 £435,000 (2019: £402,000). This includes deficit recovery contributions, pension protection fund levy fees and cost of advisors. The Company expects to pay deficit recovery contributions of £500,000 in the year to 26 June 2021. The projected net interest charge to the Consolidated Statement of Comprehensive Income for the year to 26 June 2021 is £224,000. This projection assumes cashflows to and from the Scheme are broadly unchanged from the current year figures and that there will be no events that would give rise to a settlement/curtailment/past service cost.

Consolidated Statement of Financial Position

	2020 £000	2019 £000	2018 £000	2017 £000	2016 £000
Fair value of plan assets	19,607	19,238	18,834	19,985	19,287
Present value of the defined benefit obligation	(34,781)	(30,550)	(29,370)	(30,483)	(25,750)
Deficit	(15,174)	(11,312)	(10,536)	(10,498)	(6,463)
Experience adjustments on plan assets as a percentage of plan assets	528 2.7%	384 2.0%	(779) (4.1%)	712 3.6%	(1,451) (7.5%)
Experience adjustments on plan liabilities as a percentage of plan liabilities	- 0.0%	1,614 5.3%	- 0.0%	- 0.0%	236 0.9%
Total remeasurement (losses)/gains as a percentage of plan liabilities	(3,806) 10.9%	(332) 1.1%	(172) 0.6%	(4,031) 13.2%	(2,595) 10.1%

Notes to the Consolidated Financial Statements/Continued

15. Inventories

	2020 £000	2019 £000
Raw materials and consumables	6,311	6,302
Finished goods	8,307	8,503
	14,618	14,805

Inventories Recognised as an Expense

	2020 £000	2019 £000
Opening inventories	14,805	13,456
Acquired	-	1,200
Purchases	138,180	135,153
Increase/(decrease) in stock provisions	321	292
Closing inventories	(14,618)	(14,805)
Expensed during the period	138,688	135,296

Inventories are stated after provisions for impairment of £1,097,000 (2019: £755,000).

16. Trade and Other Receivables

	2020 £000	2019 £000
Trade receivables due from third parties	36,007	45,207
Other debtors	2,356	2,577
Prepayments and accrued income	1,640	1,940
	40,003	49,724

Trade receivables due from third parties are stated after provisions for impairment of £795,000 (2019: £760,000).

17. Cash and Cash Equivalents Including Bank Overdrafts

	2020 £000	2019 £000
Cash at bank and on hand	24,181	29,462
Bank overdraft	(14,008)	(17,104)
	10,173	12,358

Notes to the Consolidated Financial Statements/Continued

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.

2020 Statutory	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	36,184	-	36,184
Leases*	Various	Monthly	Various		12,295	3,191	9,104
Unamortised transaction costs					(175)	-	(175)
					48,304	3,191	45,113

Leases* include all leases recognised as lease liabilities under IFRS 16 (see Note 11). Lease liabilities are shown separately in the table below to show total bank debt as defined by our banking facility agreement, which only recognises leases as defined as finance leases under IAS 17 as part of bank debt.

2020	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	36,184	-	36,184
Finance Lease (under IAS 17)	Various	Monthly	2023		472	247	225
Unamortised transaction costs					(175)	-	(175)
Total bank debt					36,481	247	36,234
Operating leases (under IAS 17)	2.2%	Varies			11,823	2,944	8,879
Total debt					48,304	3,191	45,113

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 (under IAS 17)	Various	Monthly	2023	828	828	335	493
Unamortised transaction costs					(247)	-	(247)
Total bank debt at 29 June 2019					47,725	335	47,390
Operating leases (under IAS 17) at 30 June 2019 on transition to IFRS 16	2.2%	Varies			14,972	2,770	12,202
Total debt at 30 June 2019 on transition to IFRS 16					62,697	3,105	59,592

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 (2019: £35.0 million plus a further £55.0 million accordion). At the period end date, the facility utilised was £36.2 million (2019: £47.1 million), giving £18.8 million (2019: £7.9 million) headroom plus a further £35.0 million (2019: £35.0 million) accordion.

19. Analysis of Net Bank Debt

	At year ended 29 June 2019 £000	Adjustment on transition to IFRS 16 as at 30 June 2019 £000	Cash flow £000	At year ended 27 June 2020 £000
Cash and cash equivalents	12,358	-	(2,185)	10,173
Debt due after one year	(47,144)	-	10,960	(36,184)
Hire purchase obligations* due within one year	(335)	335	-	-
Hire purchase obligations* due after one year	(493)	493	-	-
	(35,614)	828	8,775	(26,011)
Unamortised transaction costs	247	-	(72)	175
Debt net of unamortised costs	(35,367)	828	8,703	(25,836)

In the previous year, the company only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under IAS 17 Leases. The assets were presented in property, plant and equipment and the liabilities as part of the Company's borrowings. Hire purchase obligations* previously recognised as finances Leases under IAS 17 are recognised as lease liabilities under IFRS 16 (see Note 11).

Notes to the Consolidated Financial Statements/Continued

19. Analysis of Net Debt/Continued

The table below is presented to demonstrate total debt as defined by our banking facility agreement. This excludes the lease liabilities created on transition to IFRS 16 for leases treated as operating leases under IAS 17.

	At year ended 29 June 2019 £000	Cash flow £000	At year ended 27 June 2020 £000
Cash and cash equivalents	12,358	(2,185)	10,173
Debt due after one year	(47,144)	10,960	(36,184)
Hire purchase obligations due within one year	(335)	88	(247)
Hire purchase obligations due after one year	(493)	268	(225)
Total net bank debt	(35,614)	9,131	(26,483)

20. Trade and Other Payables

	2020 £000	2019 £000
Current		
Trade creditors	30,512	37,162
Other creditors including taxes and social security	2,046	3,781
Accruals and deferred income	16,303	14,600
	48,861	55,543

21. Provisions and Deferred Consideration

Provisions

	Site closure £000	Pension £000	Total £000
Balance at the beginning of the financial year	5,875	199	6,074
Adjustment on transition to IFRS 16*	(3,804)	-	(3,804)
Utilised during the financial year	(1,228)	(21)	(1,249)
Balance at the end of the financial year	843	178	1,021
Current provisions	450	21	471
Non-current provisions	393	157	550

* On adoption of IFRS 16 £3,804,000 of the site closure provision was transferred to impairment of property, plant and machinery (see note 12).

The site closure provision relates to the closure of the Grain D'Or site in October 2017, the provision is based on best estimates of the outcome of negotiations and currently have commitments to June 2023 for service charges, security and insurance costs on a number of leased production units.

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 13 years.

Deferred Consideration

The deferred consideration relates to the acquisition of Ultrapharm Limited (Ultrapharm) for £16.9 million plus up to £3.0 million, £2.0 million of which is outstanding at the 27 June 2020 and payable in quarterly instalments to October 2022. Discounted amounts payable within one year of the Consolidated Statement of Financial Position date is £481,000 and amounts due beyond one year is £1,357,000. Amounts charged to finance expenses during the year for the unwinding of the discounting is £14,000 (2019: 139,000).

Notes to the Consolidated Financial Statements/Continued

22. Deferred Tax Assets and Liabilities**Recognised Deferred Tax Assets and Liabilities**

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2020 £000	2019 £000	2020 £000	2019 £000
Intangibles	-	-	(1,346)	(1,325)
Property, plant and equipment	-	-	(740)	(415)
Foreign exchange contracts	55	37	-	-
Short-term temporary differences	38	40	-	-
Interest rate swaps	40	-	-	(30)
Discounting of deferred consideration	-	-	(31)	(30)
Pension scheme charges	2,883	1,923	-	-
Employee share scheme charges	391	574	-	-
Losses acquired	1,216	1,081	-	-
Tax assets/(liabilities)	4,623	3,655	(2,117)	(1,800)
Net tax assets/(liabilities)	2,506	1,855	-	-

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

Movement in Deferred Tax during the Year

	29 June 2019 £000	Acquired £000	Recognised in income £000	Recognised in equity £000	27 June 2020 £000
Intangibles	(1,325)	-	(21)	-	(1,346)
Property, plant and equipment	(415)	103	(428)	-	(740)
Foreign exchange contracts	37	-	18	-	55
Short-term temporary differences	40	-	(2)	-	38
Interest rate swaps	(30)	-	70	-	40
Discounting of deferred consideration	(30)	-	(1)	-	(31)
Pension Scheme	1,923	-	237	723	2,883
Employee share Scheme	574	-	(1)	(182)	391
Losses acquired	1,081	-	135	-	1,216
	1,855	103	7	541	2,506
	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

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

Notes to the Consolidated Financial Statements/Continued

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 30 to 33.

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.

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 27 June 2020.

At year ended 27 June 2020	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	(36,184)	(36,238)	-	-	(36,238)	-
Trade creditors	(30,512)	(30,512)	(30,512)	-	-	-
Lease liabilities	(12,295)	(13,650)	(3,218)	(2,563)	(4,010)	(3,859)
Other lease liabilities	-	(200)	(192)	(8)	-	-
	(78,991)	(80,600)	(33,922)	(2,571)	(40,248)	(3,859)

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)	-
Lease liabilities recognised as operating leases (under IAS 17) at 30 June 2019 on transition to IFRS 16	(14,972)	(15,586)	(3,207)	(3,218)	(4,116)	(5,045)

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.

Notes to the Consolidated Financial Statements/Continued

23. Financial Risk Management/Continued

c) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. These trading exposures are 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 (2019: £40.0 million) and the ageing of trade receivables at the period end date was:

	2020 £000	2019 £000
Not past due	32,668	39,666
Past due 0-30 days	2,157	4,407
Past due 31-120 days	890	626
Past due more than 120 days	292	508
	36,007	45,207

The above numbers are net of impairment provisions. The Group provides for impairment of financial assets including receivables from customers based on known events, and some collective provisions are made for losses yet to be identified, based on historical data. The majority of the provision comprises of specific amounts.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there may be no reasonable expectation of recovery may include the failure of the debtor to engage in a payment plan negotiations, and failure to make contractual payments significantly after due date.

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 £1.2 million past due by more than 30 days is equivalent to less than 2 days sales (2019: £1.1 million, equivalent to less than 2 days). We have worked with our customers during the pandemic and the significant disruption that it has brought to the economic environment to ensure cash is preserved and we trade successfully through these unprecedented challenges with fluctuations in demand, changes to consumer behaviour and sales channel closures.

Based on the above and analysis performed there is no deemed impact of applying Expected credit loss (ECL) methodology under IFRS 9 as in the prior year.

Gross trade receivables are assessed regularly by each subsidiary entity locally with reference to appropriate considerations such as the current position of the relationship with the customer, days past due and the geographical location of each customer. Expected losses are determined based on the historical experience of write-offs compared to the level of trade receivables. The nature of the Group's customer base has meant historic write-offs are trivial, hence no material impact of applying IFRS 9 ECL methodologies. If this impact was deemed significant the historical loss expectations would be amended for current and forward-looking information such as national economic outlooks accordingly to form the basis of any provision.

Details of the Company's credit risk are not disclosed because the Financial Statements of the Group disclose such details on a consolidated basis.

d) Market Risk

The Covid-19 pandemic has resulted in significant changes to the Retail and Foodservice sectors. Consumers have changed their shopping behaviour within Retail with both positive and negative implications for Finsbury's products. Foodservice channels were closed almost overnight, recovery is slow with Foodservice volumes at less than half pre-outbreak levels and this suppressed demand is to continue to remain suppressed until a solution for Covid-19 is found. The pandemic has impacted significantly on commercial, operational and financial performance.

An internal crisis team formed and met daily to oversee the impact of the pandemic. The priority is and was to ensure the safety of all employees and to make rapid changes to the way the business operates by establishing safe ways of working based on social distancing and home working. Financially the business moved to manage cash while ensuring no adverse consequential impact to our customer and supplier base.

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:

	2020 £000	2019 £009
Variable rate liabilities	(36,656)	(47,972)

Swaps amounting to £25.0 million (2019: £25.0 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.

Notes to the Consolidated Financial Statements/Continued

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.

	2020 £000	2019 £000
Profit decrease	300	589
Decrease in net assets	112	388

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

The above movement is not equal to 1% of interest-bearing loans because of interest rate swap cover that is in place.

ii) Commodity Prices

Any rises in commodity prices can adversely impact the core profitability of the business. The Group will aim to pass on its increased costs to its customers as far as is reasonable in the circumstances whilst maintaining its tight control over overhead costs to mitigate the impact on consumers. The Group maintains a high expertise in its buying team and will consider long-term contracts where appropriate to reduce uncertainty in commodity prices. Further information on input prices and risks is contained in the Strategic Report.

iii) Foreign Exchange Risk

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.

The Coronavirus crisis has had a profound impact on the economy and heightened uncertainty around future economic recovery, therefore the Board took the decision as announced on 29 March 2020, to withdraw its proposed interim dividend. While the Board remains committed to the payment of dividends, it believes it is prudent to conserve the Group's cash at this time of heightened instability. The Board will assess the Group's cash position and the outlook for the business at time of the full year results, and will adjust its approach to the final dividend accordingly. 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 (2019: 0.4). 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.

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 65.

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; and
- Retained earnings representing retained profits.

Notes to the Consolidated Financial Statements/Continued

25. Share Capital

	2020 000's	2019 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	1,304	1,304
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 (3,247,383 shares were held at the year end). All shares are the same class with equal rights. During the year the EBT purchased 984,894 ordinary shares of 1p each in the capital of the Company ("Ordinary Shares") at a price of £0.9835 per Ordinary Share.

At the 2019 Annual General Meeting held on 20 November 2019 the Directors were authorised to allot shares up to an aggregate nominal amount of £869,222, the authority shall expire 15 months from the date of Annual General Meeting or, if earlier, at the conclusion of the Annual General Meeting of the Company on 19 November 2020.

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 27 June 2020 with further details given below.

Date of grant	Number of options granted	Number of options expected to vest	Exercise price	Fair value £000	Amount expensed in year to 27 June 2019 £000	Period of expense
28 October 2019	3,833,219	3,833,219	nil	2,207	488	3.0 years
28 October 2019	1,063,325	1,063,325	nil	560	124	3.0 years
Charge relating to options granted in the current year					612	
(Credit) relating to options granted in prior years					(467)	
Charge included in Administrative expenses					145	

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	

Notes to the Consolidated Financial Statements/Continued

25. Share Capital/Continued

Details of share options outstanding at 27 June 2020 and movements during the year by exercise price is shown below:

Exercise price	First exercise date	Last exercise date	At 29 June 2019	Granted	Forfeited	Cancelled/lapsed	Exercised	At 27 June 2020
nil	Sep 2018	Dec 2025	77,743	-	-	-	(27,439)	50,304
nil	Jul 2019	Jun 2025	1,811,706	-	-	-	(1,811,706)	-
nil	Jul 2020	Dec 2025	1,131,978	-	-	-	-	1,131,978
nil	Jul 2022	Oct 2027	753,469	-	-	(753,469)	-	-
nil	Sep 2020	Oct 2027	825,724	-	(39,965)	(785,759)	-	-
nil	Jul 2023	Jan 2029	585,409	-	-	-	-	585,409
nil	Sep 2021	Jan 2029	596,757	-	(29,695)	-	-	567,062
nil	Sep 2022	Oct 2029	-	3,833,219	-	-	-	3,833,219
nil	Jul 2024	Oct 2029	-	1,063,325	-	-	-	1,063,325
			5,782,786	4,896,544	(69,660)	(1,539,228)	(1,839,145)	7,231,297

A summary of share options outstanding and movements for the year to 29 June 2019 is shown below:

	At 30 June 2018	Granted	Forfeited	Cancelled/lapsed	Exercised	At 29 June 2019
Number of options	6,382,904	1,182,166	(52,036)	(1,450,713)	(279,535)	5,782,786

There were 1,182,282 options exercisable at the period end date (2019: 77,743). There were 1,839,145 options exercised during the year (2019: 279,535). There were 1,539,228 options that lapsed during the year where performance conditions have not been met in full. The average share price at dates of exercise was 98 pence per share (2019: 68 pence per share).

The options outstanding at the year end have weighted average exercise price of Nil (2019: nil) and a weighted average remaining contractual life of 2.2 years (2019: 1.4 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:

	2020	2019
Expected life of option	3.0 years	3.0 years
Volatility of share price	29%	23%
Dividend yield	4.3%	4.0%
Risk free discount rate	0.5%	0.8%
Share price at grant date	82.0p	82.5p
Exercise price	nil	nil

26. Dividends

The Coronavirus crisis has had a profound impact on the economy and heightened uncertainty around future economic recovery; the Board took the decision as announced on 29 March 2020, to withdraw its proposed interim dividend. While the Board remains committed to the payment of dividends, it believes it is prudent to conserve the Group's cash at this time of heightened instability. The Board will assess the Group's cash position and the outlook for the business at time of the full year results, and will adjust its approach to the final dividend accordingly.

During the year a dividend of £844,000 (2019: £890,000) was paid to the holders of the non-controlling interest in Lightbody Stretz Ltd.

27. Commitments

At the financial year ended 27 June 2020, the Group had capital expenditure commitments of £108,000 (2019: £105,000).

Since the 27 June 2020 the Group is in the final stages to provide a guarantee to the Memory Lane defined benefit pension scheme for the Scheme's s.179 deficit at 31 December 2018 which is circa £13,780,000. The guarantee is capped at the lower of £13,780,000 and the s.179 deficit calculated at the latest triennial valuation. The guarantee will persist until the Scheme is fully funded on a s.179 basis. Any additional contributions made by the sponsoring employer will reduce the guarantee cap. The employer will look to review the terms of the guarantee as part of the Scheme's 2021 valuation, but there is no legal obligation to change it. This is disclosed as at the date these Financial Statements are signed, it is deemed that it is reasonably certain this guarantee will be provided.

Notes to the Consolidated Financial Statements/Continued

28. Non-cancellable Leases

The Group has annual commitments under non-cancellable leases expiring within two months to eighteen years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. The leases relate to land and buildings, fork lift trucks and 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, Johnstone's site in East Kilbride and Ultraeuropa in Poland.

This is the first set of the Group's Financial Statements in which IFRS 16 has been applied. The Group has adopted IFRS 16 from 30 June 2019 using the modified retrospective approach, comparatives have not been restated. The reclassifications and adjustments from the new leasing rules are therefore recognised in the opening Consolidated Statement of Financial Position on 30 June 2019. Under IFRS 16 the previous operating leases charge has been replaced by the depreciation on the right of use asset and interest on the lease liability. The impact on the Consolidated Statement of Financial Position as at 27 June 2019 and the Consolidated Statement of Comprehensive Income for the 52 weeks to 27 June 2020 are shown in Note 11.

During the previous year £1,571,000 was recognised as an expense in the Consolidated Statement of Comprehensive Income in respect of operating leases under IAS 17.

Commitments for minimum lease payments not in scope of IFRS 16 for 2020 and for 2019 in relation to non-cancellable operating leases (under IAS 17) are as follows:

	Land and Buildings		Other	
	2020 £000	2019 £000	2020 £000	2019 £000
On leases which expire in:				
Less than one year	-	2,531	192	676
Between one and five years	-	6,741	8	593
More than five years	-	5,045	-	-
	-	14,317	200	1,269

29. Related Parties**Related Party Transactions and Directors' Material Interests in Transactions**

A 50% owned subsidiary, Lightbody Stretz Ltd, paid SCI Coysevox £68,500 (2019: £67,000) in respect of rent for offices. No balances were outstanding at either year end. Lightbody Europe received £12,654 for accountancy and administration services (2019: £16,000) from FoodHub and an additional £6,295 for royalties (2019: £11,000). Mr P Stretz, the Managing Director of Lightbody Stretz Ltd, being the related party.

The Group paid £nil (2019: £nil) for the supply of finished products from and received £nil (2019: £27,000) for the sale of finished products to FoodHub, a company 50% owned by Mr P Stretz. The amount payable and receivable at the year end was £nil (2019: £nil) and £1,000 (2019: £3,000) respectively.

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

Transactions with Key Management Personnel

Directors of the Company and their immediate relatives control 3% (2019: 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:

	2020 £000	2019 £000
Company contributions to money purchase pension schemes	47	56
Executive salaries and benefits	1,816	1,708
	1,863	1,764

Share options held by Group Directors are set out in Note 6. Details of share options outstanding at 27 June 2020 for other key management personnel by exercise price is shown in the table below.

Exercise price	Number of options at 27 June 2020	Number of options at 29 June 2019	Earliest exercise date	Exercise expiry date
nil	1,286,925	-	28/10/2022	28/10/2029
nil	259,929	259,929	30/09/2021	21/01/2029
nil	-	304,068	02/07/2020	26/10/2027
nil	-	-	30/09/2019	29/09/2026
nil	34,298	61,737	30/09/2018	04/12/2025
	1,581,152	625,734		

Notes to the Consolidated Financial Statements/Continued

30. Prior Year 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 52 weeks ended 29 June 2019 amounts to £15,690,000 (including £2,584,000 of inter-company sales) and an operating profit of £295,000.

31. Post Consolidated Statement of Financial Position Events

Against a macro-economic backdrop that continues to be defined by high levels of uncertainty, encouragingly, sales continued to improve month-on-month in the first two months of the new financial year. As the recent tightening of restrictions designed to curtail the spread of the virus have demonstrated, though, it remains difficult to forecast potential bumps in the road and the impact they may have. The trajectory of sales in our foodservice business in particular is sensitive to this type of policy change. While it is hard to say when levels of demand will return to normal in this division – or what normal looks like longer-term – we continue to carefully manage our resources and operations to meet demand levels in an appropriate and sustainable way. Given the ongoing market uncertainty we are unable to provide guidance at this time.

Looking ahead, we will continue to monitor and respond to the pandemic as it evolves, working more closely with our customers and global brand partners than ever before to ensure we anticipate changing demand patterns and manufacture products and ranges that meet changing consumer needs. We have delivered a robust performance in the circumstances to date, and are confident that with the comprehensive optimisation of the business that has taken place in the past few years and the extensive operational improvements that have been introduced and accelerated as a result of the pandemic, we are well-positioned to continue to successfully navigate the challenges we face.

We remain focused on becoming the leading speciality bakery group and, notwithstanding coronavirus-related disruption, we have continued to make good progress towards that goal. There will inevitably be further obstacles to overcome as the pandemic plays out and with Brexit approaching, but there is a sense of cautious optimism in the business, and we are confident that by continuing to manage the business in a disciplined and pragmatic way, we will emerge a stronger, more streamlined and efficient organisation capable of delivering sustainable growth and healthy returns for shareholders.

32. Ultimate Parent Company

Finsbury Food Group Plc is the ultimate Parent Company.

Company Balance Sheet

at 27 June 2020 and 29 June 2019

	Note	2020 £000	2019 £000
Non-current assets			
Investments	40	112,002	118,529
Deferred taxation	41	438	579
		112,440	119,108
Current assets			
Debtors	42	52,756	45,893
Other financial assets – fair value contracts	43, 44	-	176
Cash and cash equivalents		11,052	18,075
		63,808	64,144
Current liabilities			
Other interest-bearing loans and borrowings	44	(1,099)	-
Trade and other payables	44	(6,351)	(6,404)
		(7,450)	(6,404)
Net current assets		56,358	57,740
Total assets less current liabilities		168,798	176,848
Non-current liabilities			
Other interest-bearing loans and borrowings	45	(37,158)	(46,896)
Other payables	46	(1,989)	(1,884)
		(39,147)	(48,780)
Net assets		129,651	128,068
Capital and reserves			
Called up share capital	47	1,304	1,304
Share premium account	47	64,956	64,956
Capital redemption reserve	47	578	578
Employee share reserve		(3,378)	(3,616)
Profit and loss account	48	66,191	64,846
Shareholders' funds		129,651	128,068

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 £4,281,000 (2019: £646,000).

These Financial Statements were approved by the Board of Directors on 18 September 2020 and were signed on its behalf by:

Stephen Boyd

Director

Registration number: 00204368

The Notes on pages 102 to 108 form an integral part of these Financial Statements.

Company Statement of Changes in Equity

for the 52 weeks ended 27 June 2020 and 52 weeks ended 29 June 2019

	Note	Share capital £000	Share premium £000	Capital redemption reserve £000	Employee share reserve £000	Retained earnings £000	Total equity £000
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 income for the period	-	-	-	-	(1,556)	(1,556)	
Transactions with owners, recorded directly in equity:							
Own shares acquired		-	-	-	(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	
Balance at 29 June 2019	1,304	64,956	578	(3,616)	64,846	128,068	
Profit/(loss) for the financial year	-	-	-	-	(4,281)	(4,281)	
Total comprehensive loss for the period	-	-	-	-	(4,281)	(4,281)	
Transactions with owners, recorded directly in equity:							
Shares issued from EBT		-	-	-	1,207	(1,207)	-
Shares issued during the year	25	-	-	-	(969)	-	(969)
Impact of share-based payments charge to subsidiaries		-	-	-	-	105	105
Impact of share-based payments	25	-	-	-	-	(1,066)	(1,066)
Deferred tax on share options		-	-	-	-	(182)	(182)
Dividend received		-	-	-	-	11,795	11,795
Dividend paid	26	-	-	-	-	(3,819)	(3,819)
Balance at 27 June 2020	1,304	64,956	578	(3,378)	66,191	129,651	

The Notes on pages 102 to 108 form an integral part of these Financial Statements.

Notes to the Company's Financial Statements

(forming part of the Financial Statements)

33. 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 27 June 2020 (prior financial year 52 weeks ended 29 June 2019).

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

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

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

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; and
- 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; and
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

Where required equivalent disclosures are given in the Group accounts of Finsbury Food Group Plc, which are available within this report. The Financial Statements are prepared on the historical cost basis except where stated at their fair value. The principal accounting policies of the Company are as follows:

Investments

Investments are stated at cost less provision for any permanent impairment. Any impairment is charged to the profit and loss as it arises. 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 IFRS 9, 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/Continued

33. 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

There have been major disruptions to markets since March 2020 as a result of the impact of the Covid-19 pandemic. Post Covid-19 consumer spending behaviour and lifestyle choices are an unknown. Since the start the Company has been guided by clear priorities to protect employees, safeguard supply, respond to new patterns of consumer demand and to preserve cash. The response by the Company to mitigate cash outflows was swift and proportionate with prioritisation and limitation of capital expenditure, salary reductions across senior executives, use of the furlough scheme and cancellation of interim dividend. We have continued with our close working relationship with our banking partners and have full support with a reset of debt:EBITDA covenant tests at 26 December 2020 and 26 June 2021. Net bank debt levels had decreased over the year by £9.1 million to £26.5 million with a net bank debt to adjusted EBITDA measure of 1.1x down from 1.4x at 29 June 2019.

With knowledge and experience since lockdown a bottom-up full-year 2021 budget and strategic forecast to June 2023 has been compiled. Our supply chain and manufacturing have been robust when faced with unprecedented fluctuation in demand. Revenue trends have improved over the final quarter, with April 24% down year on year, May, 19% down and June 14% down. The Group has a 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 and 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.

34. Remuneration of Directors

Details of Directors' remuneration are set out in Note 6 of the Group's Financial Statements.

Notes to the Company's Financial Statements/Continued

35. 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	
	2020	2019
Directors and administrative staff	97	53
The aggregate payroll costs of these persons were as follows:		
	2020 £000	2019 £000
Wages and salaries	7,971	4,467
Social security costs	978	500
Other pension costs	460	306
	9,409	5,273

36. Share Based Payments

Details of Directors' share options are set out in Note 6 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 3,537,222 (2019: 887,208) of the total 4,896,544 (2019: 1,182,166) 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 £145,000 (2019: £545,000). Credits relating to options exercised, cancelled or lapsed after vesting have also been passed to the subsidiaries during the year. The charge totalled £105,000 (2019: credit £26,000) and has resulted in a decrease (2019: decrease) in the total cost of investments in the Company balance sheet. Details of Directors' share options are set out in Note 6 of the Group's Financial Statements.

37. Finance Income and Cost

Recognised in the Company Statement of Comprehensive Income

	2020 £000	2019 £000
Finance income		
Inter-group recharge	-	426
Bank interest receivable	17	16
Income from interest rate swap agreements	44	60
Total finance income	61	502
Finance cost		
Change in fair value of interest rate swaps	(386)	(382)
Bank interest payable	(946)	(965)
Inter-group recharge	(127)	-
Unwinding of discount on deferred consideration	(14)	(139)
Total finance cost	(1,473)	(1,486)
Net finance cost	(1,412)	(984)

38. Dividends

On 23 December 2019, a final dividend of 2.34p per share was paid to shareholders on the register at the close of business on 22 November 2019, the amount paid was £2,974,642.

The Coronavirus crisis and the associated lockdown effective from 23 March 2020 has had a profound impact on the economy and heightened uncertainty around future economic recovery; the Board took the decision, as announced on 29 March 2020, to withdraw its proposed interim dividend. While the Board remains committed to the payment of dividends, it believes it is prudent to conserve the Group's cash at this time of heightened instability. The Board will assess the Group's cash position and the outlook for the business at time of the full year results, and will adjust its approach to the final dividend accordingly.

Notes to the Company's Financial Statements/Continued

39. Investment in Subsidiaries

Set out below are all undertakings of the Company whose results are included in the Consolidated Financial Statements for the period ended 27 June 2020.

Subsidiary	Registered address	Direct/ Indirect ownership	Country of incorporation	Class of shares held	2020	2019
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%
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 Foodservice 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%	50%
Lifestyle Healthcare Ltd	Maes-y-coed Rd, Cardiff, CF14 4XR	Indirect	England and Wales	Ordinary £1	50%	50%
Johnstone's Foodservice Ltd	73 Bothwell Rd, Hamilton, ML3 0DW	Indirect	Scotland	Ordinary £1	100%	100%
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%
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%
Ultrapharm 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/Continued

40. Investments

	£000
Cost	
At beginning of financial year	118,529
Impairment	(6,527)
At end of financial year	112,002
Net book value	
At 27 June 2020	112,002
At 29 June 2019	118,529

Impairment

The reassessment of carrying values of the Company's investment in subsidiaries which resulted in a reduction to the valuation of Ultrapharm at the year end, were carried out on the investments held in the Company. The value in use at a discount rate of 9.5% is £14.0 million, the cost of investment is £17.5 million, therefore an impairment of £3.5 million has been recognised. A further impairment has been taken on Anthony Alan Foods of £3.0 million that had previously been impaired. Note 10 details the considerations supporting an impairment of Ultrapharm goodwill.

41. Deferred Tax

Recognised deferred tax assets and liabilities:

	Assets		Liabilities	
	2020 £000	2019 £000	2020 £000	2019 £000
Employee share Scheme charges	390	574	-	-
Interest rate swaps	40	-	-	(30)
Discounting of deferred consideration	-	-	(31)	(30)
Short-term temporary differences	8	5	-	-
Tax assets/(liabilities)	438	579	(31)	(60)
Net tax assets	407	519	-	-

The deferred tax asset at 27 June 2020 has been calculated based on the rate of 19% substantively enacted at the balance sheet date.

Movement in Deferred Tax during the Year

	29 June 2019 £000	Acquired £000	Recognised in income £000	Recognised in equity £000	27 June 2020 £000
Employee share scheme	574	-	(2)	(182)	390
Interest rate swaps	(30)	-	70	-	40
Discounting of deferred consideration	(30)	-	(1)	-	(31)
Short-term timing differences	5	-	3	-	8
	519	-	70	(182)	407

Movement in Deferred Tax during the Prior 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

Notes to the Company's Financial Statements/Continued

42. Debtors

	2020 £000	2019 £000
Amounts owed by Group undertakings	52,277	45,533
Other taxation	101	95
Prepayments and accrued income	378	265
	52,756	45,893

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

43. 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 29 June 2019 the Company had entered into a number of forward foreign exchange contracts to minimise the impact of fluctuations in exchange rates. There was no charge to current year or previous year relating to the movement in the fair value of contracts.

44. Creditors: Amounts Falling Due Within One Year

	2020 £000	2019 £000
Trade creditors	78	146
Amounts due to Group undertakings	20	20
Corporation tax	62	62
Other taxes and social security	196	156
Accruals and deferred income	5,064	5,020
Deferred consideration*	481	1,000
Provisions closure of Grain D'Or site	450	-
	6,351	6,404

Amounts due to Group undertakings are classified as current as they are repayable on demand. Provision for closure of Grain D'Or site has been passed to the Company from a Group undertaking to ensure that it is managed centrally.

Deferred consideration* is the consideration payable for the Ultrapharm acquisition payable in quarterly installments to 1 October 2022.

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 94% coverage at year end (2019: 53%).

A charge of £386,000 (2019: £382,000 charge) is shown in finance expenses (2019: expense) 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.

Notes to the Company's Financial Statements/Continued

45. 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.

2020	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	36,184	-	36,184
Unamortised transaction costs						(175)	-	(175)
						36,009	-	36,009
Leases*	GBP	2.2%	Quarterly	Varies		2,248	1,099	1,149
Total debt including leases						38,257	1,099	37,158

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
Operating leases (under IAS 17) at 30 June 2019 on transition to IFRS 16	GBP	2.2%	Quarterly	Varies		3,803	1,252	2,551
Total debt at 30 June 2019 on transition to IFRS 16						50,699	1,252	49,447

Leases* include all leases recognised as lease liabilities under IFRS 16 (see Note 11).

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.

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

	2020 £000	2019 £000
Deferred consideration	1,357	1,824
Provisions closure of Grain D'Or site	392	-
Fair value derivatives	210	-
Deferred tax liability	30	60
	1,989	1,884

Deferred consideration is the consideration payable for the Ultrapharm acquisition payable in quarterly instalments to 1 October 2022.

47. Called Up Share Capital

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

48. 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 101 with definition details in Note 24 to the Consolidated Financial Statements.

49. Contingent Liabilities

The Company has guaranteed the overdrafts of its subsidiaries; there was a net cash position at the year end of £10,173,000 (2019: £12,358,000).

50. Related Party Disclosures

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

51. Financial Risk Management

The Company's policies on the management of liquidity, credit and interest rate risks are managed at a Group level and are set out in Note 23 in the Group's Financial Statements and also referred to in the Strategic Report.

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