

Directors' Report

Background

The Group is a speciality bakery group which is focused on premium, celebration and well-being products. These products are supplied both under the retailers' own brands and through a number of licensed brands to which the Group has access.

A review of the activities and any likely future developments in the business of the Group is given in the Chairman's Statement, Chief Executive's Report and the Strategic Report on pages 1 to 26.

Dividend

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

Directors and their Interests in the Company

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

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

The beneficial interests of the Directors in the Ordinary Shares of the Company on 29 June 2019 and 30 June 2018 are set out below:

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

Details of Directors' share options are set out in Note 7 to the Financial Statements. There has been no change to the Directors' share interests since 29 June 2019.

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

Share Capital

Details of the changes in the share capital of the Company during the year are set out in Note 25 to the Financial Statements.

Substantial Interests

The following substantial interests (3 percent or more) in the Company's issued share capital have been notified to the Company as at 28 August 2019:

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

Research and Development

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

Directors and Officers' Liability Insurance

The Company maintains a Directors and Officers liability insurance policy.

Financial Instruments

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

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

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

Interest Rate Risk

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

The counterparty to these transactions is HSBC Bank Plc.

Liquidity Risk

Short-term flexibility is available through existing bank facilities and the netting off of surplus funds. Full details and liabilities are given in Note 23.

Foreign Exchange Risk

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

Diversity

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

Equal Opportunities

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

Involvement of Employees

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

Political and Charitable Contributions

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

Going Concern

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

Auditors

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

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

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

Stephen Boyd
Director