**Chairman’s Statement**

Roebuck Food Group plc (AIM: RFG), is pleased to announce its results for the year ended 31 December 2022.

**Group Financial Highlights – Continuing Operations**

* Group revenue increased by 29% to £31.4m (2021: £24.3m)
* Earnings per share of 0.5p on continuing operations (2021 : loss of 3.5p)
* Profit after tax from continuing operation of £0.2m ( 2021 : loss £1.1m)
* EBITDA of £0.5m from the Dairy division (2021 : £0.1m)
* EBITDA of £0.4m from the Sourcing division (2021: £0.3m)

**Divisional Highlights- Continuing Operations**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **£’000** | **Sourcing** | | **Dairy** | |
|  | **2022** | **2021** | **2022** | **2021** |
| Revenue | **29.9** | **23.3** | **1.5** | **1.0** |
| EBITDA | **0.4** | **0.3** | **0.5** | **0.1** |
| Operating Profit/(loss) | **0.4** | **0.3** | **0.3** | **(0.8)** |
| Operating Margin | **1.3%** | **1.3%** | 20% | (80%) |

**Sourcing Division**

Sales at our sourcing division increased by 28% in 2022, compared with the same period in 2021, from £23.3m to £29.9m. Operating profit improved from £0.3m to £0.4m.

Townview Foods Ltd, continues to execute its commercial strategy which centres on diversification of products and end-markets. Our core animal proteins business continues to deliver consistent revenue and profits with a low-risk trading model and diversification of product sourcing and end-markets. From a standing start in March 2022, we have grown our dairy ingredients trading business into a significant operation both in terms of revenues and profits and we are confident about its prospects in 2023. We are also developing capability in plant-based ingredients which will allow us to offer a full portfolio of ingredient solutions to our customers. Operating margins declined slightly in the period, mainly due to the investment in talent, ICT and marketing. Overall, we are confident that our commercial strategy will continue to deliver profitable growth in 2023.

As part of a strategic alignment with Townview Foods Ltd, Foro International Connections Ltd was rebranded to Townview Sourcing Ltd in May 2022.

Townview Sourcing sales increased by 57% from £2.1m in 2021 to £3.3m in 2022.

The strategic alignment between Townview Foods Ltd and Townview Sourcing Ltd companies will create cost saving efficiencies and allow Roebuck Food Group Plc to have continuing ease of access to the UK, Republic of Ireland and European markets.

**Chairman’s Statement *(Continued)***

**Dairy Division**

Our primary dairy operation, Cantwellscourt Farm Ltd, exceeded expectations in 2022 in revenue and profit terms, driven by record dairy prices and good delivery across its management KPIs. Milk production was down 3% whilst revenue from milk sales was up 43% year on year. This was partially offset by input cost inflation, particularly in feed and fertiliser; our pasture-based system gives us some protection from rising input prices.

We expect the average farmgate milk price in 2023 to weaken versus last year but to remain at a level which delivers above average returns.

**Discontinued**

Our subsidiary, Grass to Milk Company Ltd, exited the Chinese market in H1 2022 due to ongoing lockdowns, supply chain disruptions and cost inflation. China has proven a difficult market for a majority of overseas dairy companies over the past 24-months with an unprecedented shift toward domestic supply. Opportunities for A2 protein ingredients in other export markets have failed to materialise, due to high dairy commodity prices making it difficult to achieve firm commitments from customers and a lack of interest from processors to dedicate capacity towards A2 during the scale-up phase. At this juncture, we do not have any immediate commercial prospects, so we have reclassified the business as a discontinued activity. Accordingly, we have impaired the intangible asset of £0.7m. The total loss from discontinued operations recogonised during the year is £1.1m.

During the year we also incurred an additional amount of £0.3m in respect of the sale of the cold store business that was sold in 2021.

**Strategic Review**

Following the successful sale of the Cold Stores business, Roebuck Food Group PLC (RFG), formerly known as Norish PLC, returned £49.92m to shareholders at the end of 2021. Overall, we believe our core sourcing and dairy businesses are well placed to deliver profitable growth in 2023, notwithstanding an expected reversal of some pricing tailwinds from 2022. We continue to examine M&A opportunities, which can complement our existing businesses, which fulfil our criteria in terms of growth prospects, margins and returns. We remain focused on delivering shareholder value through efficient capital allocation.

**Dividend**

The board does not recommend the payment of a dividend.

On behalf of the board, I would like to thank the management team and staff for their commitment and contribution in 2022.



**Ted O’Neill**

**31 March 202****3**

**Financial Review**

**Sales**

Total Group revenue from continuing operations increased by 29% to £31.4m (2021: £24.3m). Revenues in the sourcing division increased by 28% to £29.9m (2021: £23.3m). Revenues in the dairy division increased by 50% to £1.5m (2021: £1m)

**Gross profit**

Gross profit from continuing activities increased to £571k (2021: £199k).

**Operating profit/(loss)**

Operating profit from continuing activities increased to £0.3m (2021: loss £1m), after an impairment charge of £Nil (2021: £0.9m relating to fixed assets).

**Finance expense (net)**

Net Finance expense increased to £0.12m (2021: £0.06m).

**Loss from discontinued operations**

Loss from discontinued operations £1.4m (2021: profit £39.1m). Current year loss is made up of £0.3m relating to residual cold store sale transaction costs and £1.1m from the discontinued operations of Grass to Milk.

**Earnings per share**

The basic adjusted earnings per share from continuing operations increased to 0.5p (2021: loss per share 3.5p).

**Net Debt**

The net debt position is £3.4m (2021: Net cash £1.4m). During the year we discharged £1.5m in respect of liabilities due in respect of the disposal of the cold store division in 2021.

**Financial Review *(Continued)***

**Dividend**

The board does not recommend a payment of a dividend.

**Treasury policy and management**

The treasury function, which is managed centrally, handles all Group funding, debt, cash, working capital and foreign exchange exposures. Group treasury policy concentrates on the minimisation of risk in all of the above areas and is overseen and approved by the Board. Speculative positions are not taken.

**Financial risk management**

The Group’s financial instruments comprise borrowings, cash, and various items, such as trade receivables, trade payables etc., that arise directly from its operations. The main purposes of the financial instruments not arising directly from operations is to raise finance for the Group’s operations.

The Group may enter into derivative transactions such as interest rate swaps, caps or forward foreign currency transactions in order to minimise its risks. The purpose of such transactions is to manage the interest rate and currency risks arising from the Group’s operations and its sources of finance.

The main risks arising from the Group’s financial instruments are interest rate risk, liquidity risk, credit risk and foreign exchange risk. The Group’s policies for managing each of these risks are summarised below.

**Interest rate risk**

The Group finances its operations through a mixture of retained profits, bank and other borrowings at both fixed and floating rates of interest and working capital. The Group determines the level of borrowings at fixed rates of interest having regard to current market rates and future trends. At the year-end there are £0.1m at a floating rate of 5.44%.

**Liquidity risk**

The Group is in a net debt position of £3.4m. This is made up of cash of £1.5m, Invoice financing of £3.7m, term loans of £0.1m and leases of £1.1m.

**Credit risk**

The Group’s policy is to minimise exposure to credit risk by performing the appropriate customer due diligence and monitoring the exposure to credit risk.

**Foreign exchange risk**

The Group’s policy is to manage foreign exchange risk which arises principally in the product sourcing division. The Group does this by mainly purchasing Euros and US dollars at a fixed rate forward for cross currency transactions and using this rate in establishing a selling price for its goods in order to maintain an acceptable margin.

**Gerard Murphy**

**Finance Director**

**Consolidated STATEMENT OF COMPREHENSIVE INCOME**

*for the financial year ended 31 December 2022*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  | **2022** | *Restated*  2021 |
|  |  |  | **£’000** | £’000 |
|  |  |  |  |  |
| **Continuing operations** |  |  |  |  |
| Revenue |  |  | **31,351** | 24,313 |
| Cost of sales |  |  | **(30,780)** | (24,114) |
|  |  |  |  |  |
| **Gross profit** |  |  | **571** | 199 |
|  |  |  |  |  |
| Fair value gain on biological assets |  |  | **182** | 161 |
| Administrative expenses |  |  | **(417)** | (502) |
| Property, plant and equipment impairment |  |  | **-** | (862) |
|  |  |  |  |  |
| **Operating profit/(loss)from continuing operations** |  |  | **336** | (1,004) |
|  |  |  |  |  |
| Interest received |  |  | **9** | - |
| Finance expenses – lease interest |  |  | **(28)** | (26) |
| Finance expenses – interest on bank loans |  |  | **(100)** | (36) |
|  |  |  |  |  |
| **Profit/(loss) on continuing activities before taxation** |  |  | **217** | (1,066) |
|  |  |  |  |  |
| Income taxes – Corporation tax |  |  | **(40)** | (20) |
| Income taxes – Deferred tax |  |  | **(21)** | 33 |
|  |  |  |  |  |
| **Profit/(loss) for the financial year from continuing operations** |  |  | **156** | (1,053) |
|  |  |  |  |  |
| (Loss)/profit for the financial year from discontinued operations |  |  | **(1,404)** | 39,120 |
|  |  |  |  |  |
| **(Loss)/profit for the financial year attributable to**  **owners of the parent** |  |  | **(1,248)** | 38,067 |
|  |  |  |  |  |
| Other comprehensive income/(expense) |  |  | **169** | (355) |
| **Total comprehensive income for the financial year attributable to owners of the parent** |  |  | **(1,079)** | 37,712 |
|  |  |  |  |  |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME** | | | | |
|  |  |  |  |  |
| *for the financial year ended 31 December 2022 (continued)* | | | | |
|  |  |  |  |  |
|  |  |  | **2022** | 2021 |
|  |  |  |  |  |
| **Earnings/(loss) per share expressed in pence per share:** |  |  |  |  |
| From continuing operations  - basic |  |  | **0.5p** | (3.5)p |
| - diluted |  |  | **0.5p** | (3.5)p |
|  |  |  |  |  |
|  |  |  |  |  |
| From discontinued operations  - basic |  |  | **(4.7)p** | 130.1p |
| - diluted |  |  | **(4.7)p** | 130.1p |
|  |  |  |  |  |

**Consolidated Statement of financial position**

*at 31 December 2022*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  | **2022** | 2021 |
|  |  |  | **£’000** | £’000 |
| **Non-current assets** |  |  |  |  |
| Goodwill |  |  | **2,338** | 2,338 |
| Intangible assets |  |  | **-** | 665 |
| Property, plant and equipment |  |  | **2,162** | 2,014 |
| Biological assets |  |  | **884** | 762 |
|  |  |  | **5,384** | 5,779 |
| **Current assets** |  |  |  |  |
| Trade and other receivables |  |  | **7,223** | 3,988 |
| Inventories |  |  | **316** | 97 |
| Cash and cash equivalents |  |  | **1,491** | 4,543 |
|  |  |  | **9,030** | 8,628 |
|  |  |  |  |  |
| **TOTAL ASSETS** |  |  | **14,414** | 14,407 |
|  |  |  |  |  |
| **Equity attributable to owners of the parent** |  |  |  |  |
| Share capital |  |  | **564** | 564 |
| Share premium account |  |  | **-** | - |
| Other reserves |  |  | **(68)** | (237) |
| Retained earnings |  |  | **5,204** | 6,452 |
| **TOTAL EQUITY** |  |  | **5,700** | 6,779 |
|  |  |  |  |  |
| **Non-current liabilities** |  |  |  |  |
| Borrowings |  |  | **1,016** | 794 |
| Deferred tax |  |  | **58** | 35 |
|  |  |  | **1,074** | 829 |
| **Current liabilities** |  |  |  |  |
| Trade and other payables |  |  | **3,427** | 2,579 |
| Liabilities - discontinued operations |  |  | **298** | 1,869 |
| Borrowings |  |  | **3,915** | 2,351 |
|  |  |  | **7,640** | 6,799 |
|  |  |  |  |  |
| **TOTAL EQUITY AND LIABILITIES** |  |  | **14,414** | 14,407 |
|  |  |  |  |  |

**Consolidated Statement of Changes in Equity**

*For the financial year ended 31 December 2022*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  | **Share** | **Share** | **Other** | **Other**  **Distributable** | **Retained** |  |
|  | **capital** | **premium** | **Reserves** | **Reserve** | **Earnings** | **Total** |
|  | **£'000** | **£'000** | **£'000** | **£’000** | **£'000** | **£'000** |
| **At 1 January 2021** | **5,640** | **7,321** | **141** | **-** | **5,750** | **18,852** |
| Profit for the financial year | - | - | - | - | 38,067 | 38,067 |
| Foreign exchange loss | - | - | (355) | - | - | (355) |
| **Total comprehensive income for the financial year** | **-** | **-** | **(355)** | **-** | **38,067** | **37,712** |
| Equity dividends paid  Capital redemption  Gain on capital redemption in JSOP  Reduction in capital | -  -  -  (5,076) | -  -  -  (7,321) | -  -  -  (23) | -  (12,420)  -  12,420 | (510)  (37,497)  642  - | (510)  (49,917)  642  - |
|  |  |  |  |  |  |  |
| **Transactions with owners** | **(5,076)** | **(7,321)** | **(23)** | **-** | **(37,365)** | **(49,785)** |
| **At 31 December 2021** | **564** | **-** | **(237)** | **-** | **6,452** | **6,779** |
|  |  |  |  |  |  |  |
| Loss for the financial year | - | - | - | - | (1,248) | (1,248) |
| Foreign exchange gain | - | - | 169 | - | - | 169 |
| **Total comprehensive income for the financial year** | **-** | **-** | **169** | **-** | **(1,248)** | **(1,079)** |
| Equity dividends paid | - | - | - | - | - | - |
|  |  |  |  |  |  |  |
| **Transactions with owners** | **-** | **-** | **-** | **-** | **-** | **-** |
| **At 31 December 2022** | **564** | **-** | **(68)** | **-** | **5,204** | **5,700** |

**Consolidated Cash Flow Statement**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| *for the financial year ended 31 December 2022* |  | | **2022** | Restated  2021 |
|  |  | | **£’000** | £’000 |
| **Cash flow from operating activities** |  | |  |  |
| Profit/(loss) on continuing activities before taxation |  | | **217** | (1,066) |
| Gain on biological assets |  | | **(182)** | (161) |
| Loss on sale of biological assets |  | | **117** | - |
| Foreign exchange gain |  | | **(201)** | (50) |
| Loss on discontinued activities |  | | **(1,404)** | (270) |
| Finance expenses |  | | **128** | 62 |
| Finance income |  | | **(9)** | - |
| Bad debt expense |  | | **41** | 13 |
| Taxation charge |  | | **(40)** | (5) |
| Impairment – Intangible asset |  | | **665** | 860 |
| Impairment – property, plant and equipment |  | | **-** | 1,519 |
| Depreciation – property, plant and equipment |  | | **191** | 1,699 |
| **Operating cash flows before changes in working capital** |  | | **(477)** | 2,601 |
|  |  | |  |  |
| **Changes in working capital and provisions:** |  | |  |  |
| (Increase) in inventories |  | | **(218)** | (39) |
| (Increase)/ decrease in trade and other receivables |  | | **(3,223)** | 10 |
| Decrease in current assets held for sale |  | | **-** | 381 |
| (Decrease)/ increase in current liabilities held for sale |  | | **(1,571)** | 1,869 |
| Increase/ (decrease) in payables |  | | **848** | (554) |
| Taxation paid |  | | **(25)** | (205) |
| **Net cash (used)/ generated from operating activities** |  | | **(4,189)** | 1,462 |
| **Cash flow from investing activities** |  | |  |  |
| Investment in intangible assets |  | | **-** | (986) |
| Purchase of property, plant and equipment |  | | **(62)** | (1,840) |
| Proceeds on disposal of subsidiary |  | | **-** | 55,160 |
| Costs incurred on disposal of subsidiary | |  | **-** | (3,533) |
| Cash included in subsidiary disposed | |  | **-** | (72) |
| Sale of biological assets |  | | **149** | 127 |
| Purchase of biological assets |  | | **-** | (9) |
| **Net cash generated from investing activities** |  | | **87** | 48,847 |
| **Cash flows from financing activities**  Dividends paid to shareholders |  | | **-** | (510) |
| Invoice finance utilised |  | | **1,649** | 1,016 |
| Finance lease capital repayments |  | | **(91)** | (1,390) |
| JSOP capital redemption |  | | **-** | 642 |
| Share Capital Redemption |  | | **-** | (49,917) |
| Finance Lease advance |  | | **-** | 616 |
| Term loan repayments |  | | **(31)** | (374) |
| **Net cash generated/ (used) from financing activities** |  | | **1,527** | (49,917) |
|  |  | |  |  |
| **Net (decrease)/ increase in cash and cash equivalents** |  | | **(3,052)** | 2,993 |
| Cash and cash equivalents beginning of the financial year |  | | **4,543** | 1,550 |
| Cash and cash equivalents end of the financial year |  | | **1,491** | 4,543 |