**Chairman’s Statement**

Roebuck Food Group plc (AIM: RFG), is pleased to announce its results for the year ended 31 December 2021.

**Group Financial Highlights – Continuing Operations**

* Group revenue increased by 30% to £24.5m (2020: £18.8m)
* Cold store business sold for £55.2m. Profit on sale £40m
* Capital return delivered to Shareholders of £49.9m (£1.66 per share)
* Net debt of £8.7m eliminated in Oct 21. Net cash at year end £1.4m.
* EBITDA of £0.2m at the Dairy division (2020 : £Nil)
* Group costs reduced to £0.5m for the year (2020 : £0.86m)

*Diluted adjusted EPS is calculated using loss for the financial year from continuing operations as the measure of earnings. Financial information above, including comparative information, is from continuing operations only.*

**Divisional Highlights**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **£’m** | **Sourcing** | | **Dairy** | |
|  | **2021** | 2020 | **2021** | 2020 |
| Revenue | **23.3** | 17.8 | **1.2** | 1.0 |
| EBITDA | **0.3** | 0.3 | **0.2** | 0.0 |
| Operating Profit/(loss) | **0.3** | 0.3 | **(2.4)** | (0.1) |
| Operating Margin | **1.3%** | 1.8% | 0% |  |

**Sourcing Division**

Sales at our sourcing division increased by 31% in 2021, compared with the same period in 2020, from £17.8m to £23.3m. Operating profit remained unchanged at £0.3m.

The sourcing division has commenced its strategy of diversifying into sourcing and suppling proteins in new markets outside of the UK and Ireland. South Africa and South America have become significant emerging markets for Townview (“TVF”) whilst also introducing TVF to new sourcing capabilities on a global scale. The integration and growth within these markets has initially come at lower margins but will allow the business to push on in 2022 into further international markets with increased margins. Our product sales at TVF increased by 47% to 15,600 tons compared to 10,600 in 2020

The Group’s original investment in the main Sourcing subsidiary, TVF, has been fully recouped and the structures are in place to continue development of this business.

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

**Dairy Division**

Our subsidiary, Grass to Milk Company Ltd (G2M), continues to make progress; commercialising A2 protein, grass-fed, dairy products. Notwithstanding supply chain delays, we launched two new premium, A2-protein, grass-fed products in China in the second half of 2021. We also commenced work on A2-protein based nutrition ingredients which we hope to launch in the second half of 2022. We continue to work on building a high standard supply chain and quality system which will underpin our future growth. Our Commercial Strategy focuses on Business to Business (B2B) customers in China, leveraging partnerships with established players in-market. We had also carried out some Business to consumer (B2C) trials to better understand consumer preferences and market dynamics.

We currently source all of our A2-protein milk from Cantwellscourt Farm Ltd which continues to outperform across key operating KPI’s around pasture production, milk quality and animal welfare. Milk production was 15% ahead year on year; milk solids per cow improved by 6% and pasture grown per hectare improved 12% versus 2020. EBITDA improved from Nil to £0.2m at the dairy division.

**Discontinued**

On the 28th October 2021, we sold the Cold Store business, resulting in a profit on disposal of £40m. Following the sale, we made a capital return to Shareholders of £1.66 per share totalling £49.9m in November 2021.

During 2020, the group decided to discontinue the ambient warehousing in Ireland. A loss in the current year of £0.6m was incurred, compared to £0.07m last year.

**Outlook**

Following the successful sale of its Cold Stores business, the Group returned £49.9m to shareholders at the end of 2021. The group is now seeking to develop a diversified nutrition business spanning multiple ingredients, technologies and end- markets. To that end, the Group is currently mapping out its growth strategy; leveraging a highly experienced and capable team and its financial flexibility to create shareholder value in the coming years.

The Group’s existing business comprises two complementary business units; A2 dairy protein (G2M) and protein sourcing (TVF). G2M is a value-add functional nutrition business focused on A2 dairy protein with global market potential. TVF is a protein sourcing business with a sales footprint across Ireland, UK, and increasingly into Emerging Markets; expanding its geographic reach and product portfolio.

In order to reflect the strategic shift in the underlying business and future growth strategy, including a move to B2B and away from B2C, the board believes it is appropriate to impair £1.5m of development expenditure to profit or loss in the current year, related to the initial development phase of G2M which included the establishment of Ireland’s first certified A2 herd and the initial NPD phase of A2 dairy products at G2M. The board expects the remaining assets of £665k to provide a solid foundation for future development of the dairy division, through the B2B commercialisation of A2 protein and functional nutrition products.

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

**Directors**

As we embark on a new journey, following the sale of the Cold Stores business, we have appointed two new Executive Directors with effect from 1 January 2022.

Declan Morrissey who has previously headed up the Dairy Division is appointed Group Managing Director. He previously worked as an equity analyst in Davy, covering the European food sector with a particular focus on dairy, ingredients and supply chain.

Gerard Murphy as Finance Director who has held the role of Company Secretary since 2018. He has worked for the Group since 2012 as Financial Controller for the Sourcing and Dairy divisions.

**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 2021.



**Ted O’Neill**

**25 March 2022**

**Financial Review**

**Sales**

Total Group revenue from continuing operations increased by 30% to £24.5m (2019: £18.8m). Revenues in the sourcing division increased by 31% to £23.3m (2020: £17.8m). Revenues in the dairy division increased by 20% to £1.2m (2020: £1m)

**Gross profit**

Gross profit from continuing activities increased to £110k (2020: £Nil).

**Operating loss**

Operating loss from continuing activities increased to £2.6m (2020: loss £0.7m), after an impairment charge on intangible assets of £1.5m (2020: £Nil) and £0.9m (2020: £Nil) of an impairment charge relating to fixed assets.

**Finance expense (net)**

Finance expense remained unchanged at £0.06m (2020: £0.06m).

**Profit from discontinued operations**

On the 28 October 2020, we sold the Cold Stores business, resulting in a profit on disposal of £40m. Following the sale, we made a capital return to Shareholders of £1.66 per share totalling £49.9m in November 2021.

During 2020, the group decided to discontinue the ambient warehousing in Ireland. A loss in the current year of £0.6m was incurred, compared to £0.07m last year.

**Earnings per share**

The basic adjusted loss per share from continuing operations increased by 314% to 8.8p (2020: 2.8p).

**Capital**

During the period we invested £2.8m (2020: £2.2m). £1.7m was invested in plant and equipment in the cold storage division (discontinued) which was sold on 28 October 2021.We also invested £1m in respect of the commercialisation of our A2 protein milk business.

**Cash Position**

During the year we sold the Cold Stores business and made a Capital Return to shareholders. At December 2021 Net cash was £1.4m (2020: net debt £8.7m).

**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 £0.13m at a floating rate of 3.75%.

**Liquidity risk**

Following the sale of the Cold Stores business, and the capital return to shareholders, the Group is in a net cash position of £1.4m. This is made up of cash of £4.5m, Invoice financing of £2.1m, term loans of £0.2m and leases of £0.8m.

**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 at a fixed rate forward 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 2021*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Notes** |  | **2021** | 2020 |
|  |  |  | **£’000** | £’000 |
|  |  |  |  |  |
| **Continuing operations** |  |  |  |  |
| Revenue |  |  | **24,452** | 18,756 |
| Cost of sales |  |  | **(24,342)** | (18,800) |
|  |  |  |  |  |
| **Gross profit (loss)** |  |  | **110** | (44) |
|  |  |  |  |  |
| Other income |  |  | **161** | 182 |
| Administrative expenses |  |  | **(502)** | (865) |
| Impairment of intangible assets |  |  | **(1,519)** | - |
| Impairment of fixed assets |  |  | **(860)** |  |
| **Operating loss from continuing operations** |  |  | **(2,610)** | (727) |
|  |  |  |  |  |
| Finance income – interest receivable |  |  | **-** | - |
| Finance expenses – lease interest |  |  | **(26)** | (30) |
| Finance expenses – interest on bank loans |  |  | **(36)** | (32) |
|  |  |  |  |  |
| **Loss on continuing activities before taxation** |  |  | **(2,672)** | (789) |
|  |  |  |  |  |
| Income taxes – Corporation tax |  |  | **5** | (34) |
| Income taxes – Deferred tax |  |  | **33** | (28) |
|  |  |  |  |  |
| **Loss for the financial year from continuing operations** |  |  | **(2,634)** | (851) |
|  |  |  |  |  |
| Profit for the financial year from discontinued operations |  |  | **40,701** | 2,288 |
|  |  |  |  |  |
| **Profit for the financial year attributable to**  **owners of the parent** |  |  | **38,067** | 1,437 |
|  |  |  |  |  |
| Other comprehensive (expense) / income |  |  | **(355)** | 162 |
| **Total comprehensive income for the financial year attributable to owners of the parent** |  |  | **37,712** | 1,599 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME** | | | | |
|  |  |  |  |  |
| *for the financial year ended 31 December 2021 (continued)* | | | | |
|  |  |  |  |  |
|  |  |  | **2021** | 2020 |
|  |  |  |  |  |
| **Earnings per share expressed in pence per share:** |  |  |  |  |
| From continuing operations  - basic |  |  | **(8.8)p** | (2.8)p |
| - diluted |  |  | **(8.8)p** | (2.8)p |
|  |  |  |  |  |
|  |  |  |  |  |
| From discontinued operations  - basic |  |  | **126.6p** | 7.6p |
| - diluted |  |  | **126.6p** | 7.6p |
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**Consolidated Statement of financial position**

*at 31 December 2021*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  | **2021** | 2020 |
|  |  |  | **£’000** | £’000 |
| **Non-current assets** |  |  |  |  |
| Goodwill |  |  | **2,338** | 2,338 |
| Intangible assets |  |  | **665** | 1,269 |
| Property, plant and equipment |  |  | **2,014** | 22,898 |
| Biological assets |  |  | **762** | 770 |
|  |  |  | **5,779** | 27,275 |
| **Current assets** |  |  |  |  |
| Trade and other receivables |  |  | **3,988** | 7,526 |
| Inventories |  |  | **97** | 58 |
| Cash and cash equivalents |  |  | **4,543** | 1,550 |
| Assets of disposal group classified as held for sale |  |  | **-** | 381 |
|  |  |  | **8,628** | 9,515 |
|  |  |  |  |  |
| **TOTAL ASSETS** |  |  | **14,407** | 36,790 |
|  |  |  |  |  |
| **Equity attributable to owners of the parent** |  |  |  |  |
| Share capital |  |  | **564** | 5,640 |
| Share premium account |  |  | **-** | 7,321 |
| Other reserves |  |  | **(237)** | 141 |
| Retained earnings |  |  | **6,452** | 5,750 |
| **TOTAL EQUITY** |  |  | **6,779** | 18,852 |
|  |  |  |  |  |
| **Non-current liabilities** |  |  |  |  |
| Borrowings |  |  | **794** | 5,514 |
| Deferred tax |  |  | **35** | 1,244 |
|  |  |  | **829** | 6,758 |
| **Current liabilities** |  |  |  |  |
| Trade and other payables |  |  | **2,579** | 6,288 |
| Current tax liabilities |  |  | **-** | 151 |
| Liabilities held for sale |  |  | **1,869** | - |
| Borrowings |  |  | **2,351** | 4,741 |
|  |  |  | **6,799** | 11,180 |
|  |  |  |  |  |
| **TOTAL EQUITY AND LIABILITIES** |  |  | **14,407** | 36,790 |
|  |  |  |  |  |

**Consolidated Statement of Changes in Equity**

*For the financial year ended 31 December 2021*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  | **Share** | **Share** | **Other** | **Other**  **Distributable** | **Retained** |  |
|  | **capital** | **premium** | **Reserves** | **Reserve** | **Earnings** | **Total** |
|  | **£'000** | **£'000** | **£'000** | **£’000** | **£'000** | **£'000** |
| **At 1 January 2020** | **5,640** | **7,321** | **(21)** | **-** | **4,313** | **17,253** |
| Profit for the financial year | - | - | - | - | 1,437 | 1,437 |
| Foreign exchange gain | - | - | 162 | - | - | 162 |
| **Total comprehensive income for the financial year** | **-** | **-** | **162** | **-** | **1,437** | **1,599** |
| Equity dividends paid | - | - | - | - | - | - |
|  |  |  |  |  |  |  |
| **Transactions with owners** | **-** | **-** | **-** | **-** | **-** | **-** |
| **At 31 December 2020** | **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 | - | - | - | - | (510) | (510) |
| Capital redemption | - | - | - | (12,420) | (37,497) | (49,917) |
| Gain on capital redemption in JSOP | - | - | - | - | 642 | 642 |
| |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | | Reduction in capital | - | - | - |  | - | - | | (5,076) | (7,321) | (23) | 12,420 | - | - |
|  |  |  |  |  |  |  |
| **Transactions with owners** | **(5,076)** | **(7,321)** | **(23)** | **-** | **(37,365)** | **(49,785)** |
| **At 31 December 2021** | **564** | **-** | **(237)** | **-** | **6,452** | **6,779** |

Note:

The reduction in capital is pursuant to the confirmation on 14 December 2021 by the Irish High Court of the reduction of:

- share premium of £7,321,155 (being the entire amount of the share premium account);

- other undistributable reserves of €33,350.23 (being the entire amount of the capital conversion reserve fund);

- other undenominated capital of €6,765,835.05 (created on the redemption of the Redeemable Ordinary Shares of 22.5€c and being the entire amount of other undenominated capital), and the crediting of those amounts to other distributable reserves to enable the capital redemption.

**Consolidated Cash Flow Statement**

|  |  |  |  |
| --- | --- | --- | --- |
| *for the financial year ended 31 December 2021* | **Notes** | **2021** | 2020 |
|  |  | **£’000** | £’000 |
| **Cash flow from operating activities** |  |  |  |
| Loss on continuing activities before taxation |  | **(2,634)** | (789) |
| Gain on biological assets |  | **(161)** | (182) |
| Foreign exchange (gain)/loss |  | **(50)** | (55) |
| Profit on discontinued activities |  | **1,298** | 2,288 |
| Finance expense |  | **62** | 62 |
| Bad debt expense |  | **13** | - |
| Taxation charge |  | **(5)** | - |
| Impairment – Intangible assets |  | **860** | - |
| Impairment – property, plant and equipment |  | **1,519** | - |
| Depreciation – property, plant and equipment-net |  | **1,699** | 2,196 |
| **Operating cash flows before changes in working capital** |  | **2,601** | 3,520 |
| **Changes in working capital and provisions:** |  |  |  |
| (Increase)/decrease in inventories |  | **(39)** | 1,047 |
| Decrease /(increase) in trade and other receivables |  | **10** | (669) |
| (Increase)/decrease in current assets held for sale |  | **381** | (104) |
| Increase in current liabilities held for sale |  | **1,869** | - |
| Decrease in payables |  | **(554)** | (338) |
| **Net cash inflow from operations** |  | **4,268** | 3,456 |
| Taxation paid |  | **(205)** | (304) |
| **Net cash generated from operating activities** |  | **4,063** | 3,152 |
| **Cash flow from investing activities** |  |  |  |
| Investment in intangible assets |  | **(986)** | (705) |
| Purchase of property, plant and equipment |  | **(1,840)** | (1,741) |
| 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 |  | **127** | 346 |
| Purchase of biological assets |  | **(9)** | (65) |
| **Net cash generated from (used) in investing activities** |  | **48,847** | (2,165) |
|  |  |  |  |
| **Cash flow from financing activities**  Dividends paid to shareholders |  | **(510)** | - |
| Invoice financing utilised / (payments) |  | **1,016** | (150) |
| Finance lease capital repayments |  | **(1,390)** | (845) |
| Share capital redemption |  | **(49,917)** | - |
| Capital redemption JSOP |  | **642** | - |
| Finance lease advance |  | **616** | 882 |
| Term loan repayments |  | **(374)** | (378) |
| **Net cash inflow in financing activities** |  | **(49,917)** | (491) |
|  |  |  |  |
| **Net increase in cash and cash equivalents** |  | **2,993** | 496 |
| Cash and cash equivalents beginning of the financial year |  | **1,550** | 1,054 |
| Cash and cash equivalents end of the financial year |  | **4,543** | 1,550 |