

Audit Committee Report

The Audit Committee comprises two members: Bob Beveridge, a chartered accountant with recent and relevant financial experience, and Ray Duignan. It met three times during the year with 100% attendance. The external auditors and Finance Director 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.

Role

The Audit Committee is responsible for ensuring that the financial performance of the Group is properly reported and reviewed. Its role includes monitoring the integrity of the Financial Statements (including Annual and Interim Accounts and results announcements), reviewing internal control and risk management systems, reviewing any changes to accounting policies, reviewing and monitoring the extent of the non-audit services undertaken by external auditors and advising on the appointment of external auditors.

Terms of Reference

The duties of the Committee are set out in its terms of reference which is published on the Group's website (www.finsburyfoods.co.uk/investor-relations/corporate-governance)

The main items of business carried out in the year included:

- Review of the FY21 audit plan and audit engagement letter;
- Consideration of key audit matters and how they are addressed;
- Review of effectiveness of the external auditor;
- Review of the Financial Statements and Annual Report;
- Consideration of the external audit report;
- Going concern review;
- Review of the risk management process and internal control procedures;
- Review of internal audit reports and plans;
- Meeting with the external auditor without management present; and
- Review of whistleblowing and anti-bribery arrangements.

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:

- Valuation of goodwill and intangible assets and review for potential impairment, ensuring the reasonableness of key assumptions, considering the impact of sensitivities to these assumptions and identifying the degree of sensitivity which would lead to a potential impairment.
- Accounting for Defined Benefit Pension Scheme; ensuring consistency with prior years and external benchmarks.
- Alternative performance measures; agreed to remove non-critical measures and add carbon emission KPI. Reviewed methodology of calculations.

In terms of going concern, the Committee considered a range of scenarios for both the budget and the three-year business plan 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 carried out a detailed assessment of the audit effectiveness, including a site questionnaire covering 20 criteria. The overall assurance rating was deemed to be good and opportunities for improvement were agreed, mainly relating to timing of work. The relatively high level of partner engagement was regarded as very helpful. Discussions relating to judgemental items had been 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, (2020: £183,000) for audit services, and £41,000 (2020: £20,000) 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. As PwC has been auditor for three years there is no intention to re-tender and the Board will recommend their ongoing appointment at the AGM.

Audit Committee Report/Continued

Risk Management, Internal Controls and Internal Audit

The risk management process this year was further improved as for the second time it formed an early stage of the strategic planning process, owned by the business areas. 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 review of the Group's internal control framework, following its implementation last year. Controls and spending limits have been built into the M3 Financial system. There is strong automation and segregation of duties enforced within the M3 system as part of the revenue recognition process. Internal audit reviews during the year have focused on compliance with the control framework and the internal audit reports were reviewed by the Committee together with follow up actions identified.

Whistleblowing and Anti-Bribery

The Committee considered reports of whistleblowing from the hotline which confirmed its view that the hotline was a valuable assurance with issues being identified and followed through appropriately. It reviewed minor updates to whistleblowing and anti-bribery policies.

Other Matters

During the year the Committee completed reviews into IT risks including cyber-security, M3 Cloud migration, GDPR compliance and received presentations from the Group's Health and Safety manager, outlining further progress on the HSE strategy. Additionally, the Committee reviewed foreign exchange, interest rate and commodity hedging policies, the Group's insurance policies and reviewed the Audit Committee's effectiveness via a questionnaire completed by senior finance executives as well as Committee members.

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, Audit Committee

17 September 2021