

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 and internal auditor without the presence of Executive Directors.

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 Financial Statements 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 (<https://finsburyfoods.co.uk/investor-relations/corporate-governance/>).

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

- Review of the FY22 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 the Defined Benefit Pension Scheme; ensuring consistency with prior years and external benchmarks.
- Alternative performance measures; agreed to refresh measures, consistent with strategic objectives.

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

Considering last year's detailed assessment of the audit effectiveness, the same audit effectiveness questionnaire was completed, followed by a joint meeting between senior finance managers and the audit team members to review the results. A joint report was submitted to the Audit Committee; audit quality was deemed to be good and improvements have been achieved. Further improvements for FY22 were agreed by the Committee, including planning and escalation procedures and greater focus on internal controls now the common system and controls have been fully implemented across the Group. The Committee consider that challenges from the external auditor have been suitably rigorous.

During the year, the fees paid to the auditors, PwC, were £199,000 (2021: £183,000) for audit services, and £181,000 (2021: £41,000) 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 four 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

Risk management sits with the Risk Steering Committee, chaired by the Group Health, Safety, Environment and Risk Director; the Audit Committee agreed the terms of reference of this Committee and reviews its outputs and minutes on an ongoing basis. This year the risk management process was fully integrated with both health and safety and the strategic planning processes. 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 36 to 39.

Internal audit reviews during the year have focused on compliance with the Group's control framework and the internal audit reports and follow-up actions were reviewed by the Committee on an ongoing basis.

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 'deep dive' reviews into IT risks including Cyber security and the end-to-end procurement processes. It received ongoing 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 in this Audit Committee Report, the Committee is satisfied that the Group has in place effective internal control systems and a 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
23 September 2022