

## Independent Auditors' Report to the Members of Finsbury Food Group Plc

### Report on the Audit of the Financial Statements

#### Opinion

In our opinion:

- Finsbury Food Group Plc's Group Financial Statements and Company Financial Statements (the "Financial Statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 2 July 2022 and of the Group's profit and the Group's cash flows for the 53-week period then ended;
- The Group Financial Statements have been properly prepared in accordance with UK-adopted international accounting standards;
- The Company Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- The Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the Consolidated Statement of Financial Position and the Company Balance Sheet as at 2 July 2022; the Consolidated Statement of Comprehensive Income, the Consolidated and the Company Statements of Changes in Equity and the Consolidated Cash Flow Statement for the period then ended; and the Notes to the Financial Statements, which include a description of the significant accounting policies.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the auditors' responsibilities for the audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Our Audit Approach

#### Overview

##### Audit Scope

- We performed a full-scope audit procedure in respect of the Group's five largest manufacturing locations as well as Finsbury Food Group Plc; and
- Our audit procedures covered entities contributing 82% of the Group's revenues for the 53-week period ended 2 July 2022.

##### Key Audit Matters

- Goodwill impairment assessment (Group); and
- Recoverability of the Company investments in subsidiaries (Parent).

##### Materiality

- Overall Group materiality: £1.8 million (2021: £1.6 million) based on 0.5% of total revenues;
- Overall Company materiality: £1.7 million (2021: £1.5 million) based on 1% of total assets (restricted by Group materiality); and
- Performance materiality: £1.3 million (2021: £1.1 million) (Group) and £1.3 million (2021: £1.1 million) (Company).

##### The Scope of our Audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the Financial Statements.

##### Key Audit Matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Impact of the outbreak of Covid-19 on the Financial Statements (Group and Parent), which was a key audit matter last year, is no longer included because of the Group continuing to operate throughout the pandemic and Covid-19 is no longer considered a pervasive risk. Otherwise, the key audit matters on the following page are consistent with last year.

## Independent Auditors' Report to the Members of Finsbury Food Group Plc/Continued

Key audit matter	How our audit addressed the key audit matter
<p><b>Goodwill impairment assessment (Group)</b></p> <p>At 2 July 2022, the Consolidated Statement of Financial Position includes £73.2 million of goodwill (2021: £73.2 million). In accordance with the requirements of UK-adopted International Accounting Standards, management has performed impairment reviews in relation to the goodwill held in each of the Group's cash generating units (CGUs). Management has prepared value in use calculations for each of the CGUs using Board approved strategic plans. The impairment reviews include significant estimates and judgements in respect of future growth rates and cash flows, and the discount rate employed. Sensitivities of these key estimates and judgements are detailed in Note 10, Intangibles.</p>	<p>We obtained the relevant CGU cash flow forecasts supporting management's calculation of value in use and evaluated the appropriateness of key assumptions. We assessed the methodology used by management in performing the assessments and challenged key inputs. Our procedures included:</p> <ul style="list-style-type: none"> <li>• Verifying the accuracy of the underlying calculations in the model and agreeing the cash flow forecasts to the plan approved by the Board;</li> <li>• Evaluating the appropriateness of forecast cash flows by understanding management's process for forecasting, examining the support for forecast cash flows and assessing CGU specific cash flow assumptions such as assessing the impact of excluding cash flows that improve or enhance the CGU's performance;</li> <li>• Evaluating the appropriateness of the projected revenue growth rates used, both over the short term to 2025 and over the longer term, including assessing and challenging the assumptions compared to current trading performance and economic conditions;</li> <li>• Consideration of prior year and current performance in comparison to projected results;</li> <li>• Considering the impact of a range of sensitivities to assess the impact of reasonably possible changes in key assumptions to those used by management;</li> <li>• Evaluating the appropriateness of discount rates used, which included benchmarking the rate used to other similar companies;</li> <li>• Evaluating other key inputs to the cash flows, including the impact of cost pressures on forecast margins and capital expenditure; and</li> <li>• Reviewing management's disclosures in the Financial Statements.</li> </ul> <p>We believe that the assumptions in the value in use model and the conclusion reached that no impairment is required is reasonable. We also believe that the disclosures in Note 10 of the Financial Statements in respect of sensitivities that would result in impairment are appropriate. We consider that the carrying value of the goodwill balance is materially correct and we believe that the disclosures in the Financial Statements are appropriate.</p>
<p><b>Recoverability of the Company investments in subsidiaries (Parent)</b></p> <p>At 2 July 2022, the Company's Statement of Financial Position included £118.4 million of investments in subsidiaries (2021: £112.0 million). In accordance with the requirements of UK-adopted International Accounting Standards, management has performed an analysis considering whether any impairment triggers exist as well as comparing the carrying amount of the investments with the calculated value in use (noted above). No impairment has been recognised in the current year. The impairment reviews include significant estimates and judgements in respect of future growth rates and cash flows, and the discount rate employed.</p>	<p>We have considered whether there are any indicators of impairment, including comparing to current market capitalisation.</p> <p>In order to support that there is no impairment we have also obtained the relevant subsidiary cash flow forecasts that support the carrying value of the investment. We have challenged key inputs, assessed management's methodology and evaluated the appropriateness of key assumptions adopted (as described above).</p> <p>We believe that the assumptions in the value in use model and the conclusion reached that no impairment is required is reasonable. We consider the carrying value of the investment balance to be materially correct.</p>

**How we Tailored the Audit Scope**

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the Financial Statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group has six main manufacturing sites across the UK, together with a distribution centre in France, operations in Poland, and a head office location based in the UK. Each manufacturing site has its own accounting team with the consolidation work and Group financial reporting for Finsbury Food Group Plc being undertaken by a team based at the UK head office.

Of the Group's nine reporting components, five are considered to be financially significant components of the Group, given the significant revenue generated at these locations. All of these components were based in the UK and full scope audit procedures were led by the Group engagement team. The Group engagement team also audited the Parent Company, which was scoped in accordance with the Company materiality with the audit procedures focused on the investment carrying value and the revolving credit facility held by the Company.

Our audit addressed components making up 82% of the Group's revenues for the period.

## Independent Auditors' Report to the Members of Finsbury Food Group Plc/Continued

### Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual Financial Statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the Financial Statements as a whole.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole as follows:

	Financial Statements – Group	Financial Statements – Company
<b>Overall materiality</b>	£1.8 million (2021: £1.6 million).	£1.7 million (2021: £1.5 million).
<b>How we determined it</b>	0.5% of total revenues.	1% of total assets (restricted by Group materiality).
<b>Rationale for benchmark applied</b>	Revenue is a key metric used by management and investors and given the relative volatility of profit before tax in recent years, this was considered to be a more consistent metric in line with the prior year.	We determined our materiality based on total assets, which is more applicable than a performance-related measure as the Company is primarily an investment holding Company for the Group. However, as this materiality was greater than overall Group materiality, we have restricted the entity materiality.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £0.6 million to £1.7 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2021: 75%) of overall materiality, amounting to £1.3 million (2021: £1.1 million) for the Group Financial Statements and £1.3 million (2021: £1.1 million) for the Company Financial Statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount in the middle of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £89,000 (Group audit) (2021: £78,000) and £85,000 (Company audit) (2021: £74,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

### Conclusions Relating to Going Concern

Our evaluation of the Directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- Evaluating the appropriateness of forecast cash flows by understanding management's process for forecasting and examining the support for forecast cash flows;
- Evaluating the appropriateness of the projected revenue growth rates used, over the next 12-18 months, including assessing the assumptions on trading performance and liquidity;
- Consideration of the prior year and current performance in comparison to projected results;
- Considering the impact of a range of sensitivities to assess the impact of reasonably possible changes in key assumptions to those used by management;
- Evaluating other key inputs to the cash flows, including the forecast margins and capital expenditure;
- Reviewed covenant calculations to ensure no covenant breaches in the current year and no forecast covenant breaches throughout the period, there are no current or forecast breaches;
- Performed sensitivities on the covenant calculations to assess headroom, which showed significant decreases in Earnings Before Interest Taxation Depreciation and Amortisation (EBITDA) would be required in order for covenants to be breached; and
- Assessed current and forecast headroom for the Group in relation to their available cash facility, which shows clear headroom throughout the assessment period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the Financial Statements are authorised for issue.

In auditing the Financial Statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

## Independent Auditors' Report to the Members of Finsbury Food Group Plc/Continued

### Reporting on Other Information

The other information comprises all of the information in the Annual Report other than the Financial Statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

#### Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 2 July 2022 is consistent with the Financial Statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

### Responsibilities for the Financial Statements and the Audit

#### Responsibilities of the Directors for the Financial Statements

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements, the Directors are responsible for the preparation of the Financial Statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

#### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to food and hygiene laws, health and safety regulations, employment law and environmental legislation, and we considered the extent to which non-compliance might have a material effect on the Financial Statements. We also considered those laws and regulations that have a direct impact on the Financial Statements such as AIM listing regulations, pension legislation, tax legislation and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the Financial Statements (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journal entries to manipulate financial results and potential management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Evaluation of the adequacy of the design of management's controls to prevent and detect irregularities;
- Enquiry of management around known or suspected instances of non-compliance with laws and regulations and fraud;
- Review of minutes of meetings of those charged with governance;
- Challenge assumptions made by management in its significant accounting estimates;
- Identifying and testing the validity of journal entries, in particular any journal entries posted with unusual account combinations and consolidation journals; and
- Incorporated an element of unpredictability in our audit procedures.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the Financial Statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

## Independent Auditors' Report to the Members of Finsbury Food Group Plc/Continued

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the Financial Statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### Use of this Report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Other Required Reporting

#### Companies Act 2006 Exception Reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- We have not obtained all the information and explanations we require for our audit; or
- Adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- Certain disclosures of Directors' remuneration specified by law are not made; or
- The Company Financial Statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

#### Jason Clarke (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cardiff  
23 September 2022