

ABF Grain Products Limited

**Strategic report, directors' report and
financial statements**

Registered number 00079590

For the period of 50 weeks ended 29 August 2020

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Strategic report

Principal activities

In the course of the period the principal activities were the manufacture and sale of food products.

Business model

ABF Grain Products Limited (the 'Company') manufactures and markets a variety of well-known brands both nationally and internationally. Brands include Kingsmill, Allinson, Burgen, Jordans Cereals, Dorset Cereals, Ryvita, Tolly Boy, Elephant Atta, Lucky Boat, Rajah, HIGH5 and Reflex. The Company's customers include retailers, as well as wholesale, restaurant and direct to consumer trades.

Business review

The loss for the period of 50 weeks ended 29 August 2020 after taxation is £59,004,000 (2019 loss £19,049,000).

The Company's key financial and other performance indicators during the year were as follows:

	2020 £'000	2019 £'000	Change %
Turnover	904,330	1,021,775	-11.5%
Gross profit	224,614	247,929	-9.4%
Operating loss*	(35,091)	(22,928)	-53.0%
Average number of employees	5,625	6,053	-7.1%
Gross margin percentage	24.8%	24.3%	+2.1%

* Excluding the impact of exceptional items – see note 8

Turnover decreased by -11.5% following the loss of our largest private label bread contract as previously advised while COVID-19 had a mixed impact on our business. In bread, flour, cereal and biscuits we experienced and were able to respond to increased demand for our products sold through the retail channel as a result of the restrictions imposed by governments to contain the spread of COVID-19. All our workplaces were rapidly adapted to ensure a safe working environment for our employees. We overcame the logistical and operational challenges posed by COVID-19 and produced higher volumes throughout the second half. These higher volumes helped mitigate the decline in those products sold to out-of-home and foodservice channels.

Allied Bakeries implemented a significant cost reduction programme during the year. Combined with a COVID-19 related uplift in sales, the underlying operating result improved. Following our announcement in July of our exit from the Co-op contract, the carrying values of some of our operating assets have been reviewed, resulting in a write-down charge of £15,000,000.

In February, our Speedibake Wakefield factory was destroyed by fire and, following a review of options, we have announced that the factory will permanently close and some products will transfer to the Bradford site. This resulted in an exceptional charge of £25,000,000 in the first half which was more than offset by £30,000,000 of insurance money received in the second half of the year. COVID-19 has adversely impacted Speedibake's foodservice volumes with the closure of schools and out-of-home establishments during much of the second half of the year.

Jordans Dorset Ryvita delivered an improved manufacturing capability, with our new biscuit making facility in Bardney, Lincolnshire, performing well. Demand increased in the second half following COVID-19 and we were well placed to meet the uplift in demand.

Westmill Foods being a major supplier to the restaurant and takeaway trade, experienced overall reduced volumes through the impact of COVID-19. Restaurant and takeaway customers were largely forced to close during the lockdown which was partially mitigated by an increase in demand for flour from retail customers. Despite the impact of COVID-19, the investment in new noodle capacity in Manchester has gone live and is operating well.

Strategic report *(continued)*

AB Sports Nutrition, trading under the HIGH5 and Reflex brands, had a challenging year with lockdown restrictions, gym closures and sports event cancellations adversely impacting sales. Growth has returned in the new financial year as lockdown restrictions have eased and as the results of NPD have materialised. In the ABF plc accounts the H5 and Reflex brands have been reflected as intangible assets. The directors have decided to write down the value of Goodwill by £35m reflecting the reduction in useful economic life shown in the ABF plc accounts.

Principal risks and uncertainties

A full description of the principal risks and uncertainties applicable to the Associated British Foods plc group, of which this company is a wholly owned subsidiary, are disclosed on pages 84 to 90 of the 2020 Annual Report, which is available at www.abf.co.uk. This is supplemented by the section on principal risks and uncertainties in the Interim Results Announcement of Associated British Foods plc dated 20 April 2021. The principal risks and uncertainties of this company arise in its trading businesses and are assessed within the operating businesses where they are identified, evaluated and managed by the directors.

Operating in a global market

Our approach to risk management incorporates potential short-term market volatility and evaluates longer-term socio-economic and political scenarios. The company's financial control framework and board-adopted tax and treasury policies require all operating divisions to comply fully with relevant local laws. Provision is made for known issues based on management's interpretation of country-specific tax law, EU cases and investigations on tax rulings and their likely outcomes. By their nature socio-political events are largely unpredictable. Nonetheless our businesses have detailed contingency plans which include site-level emergency responses and improved security for employees. We engage with governments, local regulators and community organisations to contribute to, and anticipate, important changes in public policy. We conduct rigorous due diligence when entering or commencing business activities in new markets.

Health and Nutrition

Consumer preferences and market trends are monitored continually. Recipes are regularly reviewed and reformulated to improve the nutritional value of our products. All of our grocery products are labelled with nutritional information. We develop partnerships with other organisations to promote healthy options.

Fluctuations in commodity and energy prices

We constantly monitor the markets in which we operate and manage certain of these exposures with exchange traded contracts and hedging instruments. The commercial implications of commodity price movements are continuously assessed and, where appropriate, are reflected in the pricing of our products.

Movements in exchange rates

Our operating divisions which are impacted by exchange rate volatility and currency depreciation constantly review their currency-related exposures. Board-approved policies require businesses to hedge all transactional currency exposures and long-term supply or purchase contracts which give rise to currency exposures, using foreign exchange forward contracts up to twelve months in advance. Cash balances and borrowings are largely maintained in the functional currency of the local operations.

COVID-19

The COVID-19 pandemic has continued across the world. This has highlighted the importance of the global food supply chain, in which the Company plays an important part.

The COVID-19 pandemic has, at the time of approving these financial statements, had no adverse impact on the Company. The demand for retail food staples has increased significantly as consumers stockpile. The repeated closure of pubs and restaurants has led to a reduced demand for foodservice supply, offset by an increased demand for home cooking options. Our supply chain remains strong and we are working closely with retailers to ensure good supplies of products.

Uncertainty as to the length of the pandemic and the related measures to combat it mean that the 2021 full year impact cannot yet be known.

Strategic report *(continued)*

Going concern

The Company has received a letter of support from its intermediate parent company, ABF Investments plc, indicating that it will receive the financial and other support necessary for the Company to trade and meet its liabilities as and when they become due for a period of at least twelve months from the date of signing of these financial statements.

After making due enquiries and considering the impact of COVID-19 and the support available from the intermediate parent company described above, the directors have a reasonable expectation that the Company has adequate resources to continue in operation for 12 months from the date of signing of these financial statements. These considerations included the impact of COVID-19 on the wider ABF group, the ABF group's directors' assessment of going concern (set out in the 2021 Interim Results Announcement dated 20 April 2021 and available at www.abf.co.uk), which included the significant levels of cash and undrawn committed long-term facilities available to the group and the ABF group's directors' stress testing of cash flow forecasts through to September 2022, and an assessment of any developments since that date that would adversely affect that conclusion. Accordingly, the financial statements have been prepared on the going concern basis.

Engaging with our stakeholders – Section 172 Statement

The directors are required to act in a way which they consider, in good faith, is most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, have regard (amongst other matters) to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006.

The Company is a subsidiary of Associated British Foods plc and, as such, the Company has adopted and directors have due regard to applicable group policies and procedures which impact on the Company's stakeholders, including those referred to on page 72 of the Associated British Foods plc Annual Report and Accounts 2020. Please also see the Associated British Foods plc section 172 statement on pages 14 to 19 of that document.

Stakeholders and engagement

As part of the identification of key stakeholders, the directors have identified the following stakeholder groups with whom engagement is fundamental to the Company's ongoing success:

- Employees
- Suppliers
- Customers
- Communities and Environment
- Governments
- Shareholders
- Subsidiaries and other ABF group entities

Employees

The Company employs 5,625 people. Our people are central to the Company's success and employee engagement is crucial to embedding our Company culture and values, and to helping our people see how their efforts contribute to their Company's strategic objectives. During the reporting period the Company undertook regular engagement surveys, provided leadership updates, provided regular internal communications (such as emails, intranet or magazines), Health & Safety programmes, Town halls and training. The directors review the outcome of these communications/events annually to focus resources on the areas where improvement would derive the most benefit for our people.

See also further detail below under the heading "COVID-19 – protecting our workforce and engaging with government authorities"

Strategic report *(continued)*

Suppliers

Our Supplier Code of Conduct, which applies to all companies in the Associated British Foods group and which can be found on the Associated British Foods website, sets out our values and standards on how we work and engage with our suppliers on ethical, environmental and other relevant matters including on key issues such as payment practices, responsible sourcing, supply chain sustainability and human rights and modern slavery. Despite the challenges of COVID-19, the Company remains committed to paying its suppliers in a timely fashion, as demonstrated by its continued membership to the Prompt Payment Code.

Customers

As well as providing safe and nutritious food, the physical health and safety of our customers and consumers is of paramount importance to the Company. The Company engages with its customers through customer surveys, social media and customer information lines, ensuring their feedback is properly taken into account.

Consumer preferences and market trends are monitored continually. Recipes are regularly reviewed and reformulated to improve the nutritional value of our products. All of our grocery products are labelled with nutritional information. We develop partnerships with other organisations to promote healthy options.

Communities and Environment

Supporting society and respecting the environment are two of the key ways we live our values and make a difference. The Company is committed to seeking sustainable solutions to environmental challenges and adapting our operations to respond to changes in the natural environment.

To achieve these goals the Company is acting on climate change and is working hard to reduce energy use, reduce greenhouse gas emissions, manage waste, improve water management, using environment-friendly packaging and reducing or eliminating use of single-use plastic where possible.

Governments

The Company can be impacted by changes in laws and public policy including issues such as COVID-19 and Brexit. To mitigate the Company's exposure to such risks the directors engage with government authorities either directly, or through being part of the broader Associated British Foods group, to contribute to, and anticipate, important changes in public policy.

Shareholders

The Company reports up to its shareholders, and ultimately to the board of Associated British Foods plc, through reports up to the senior management of the business division of which the Company forms part.

Subsidiaries and Other ABF group entities

The Company forms part of the group of companies headed by Associated British Foods plc and the Company's accounts are consolidated into the Associated British Foods plc accounts. Group companies can provide financial and other support to the Company and the sharing of best practice and know-how between the businesses within the broader group is actively encouraged. The Company is kept up to date on key businesses activities and decisions of its subsidiaries and provides all necessary support.

Principal decisions

Below are some examples of the principal decisions taken during the year, how the directors considered stakeholder views/interests and how such consideration impacted on decision-making.

Example 1: Speedibake Wakefield factory fire – Impact on and supporting community and employees

On February 1st 2020 a major fire broke out in the Wakefield manufacturing site of our frozen bakery business, Speedibake. The fire was declared a Major Incident by the West Yorkshire Fire and Rescue Service and while fortunately no one was injured by the blaze, it resulted in considerable disruption to Wakefield town centre including commercial and residential properties adjacent to the site. In response to this unfolding situation the site leadership team prioritised internal communication and engagement with employees affected by the loss of the site and their Union representatives. An interactive text messaging and confidential reporting line was set up to facilitate collective and discreet communication channels, both of which worked effectively. Speedibake also arranged considerable outreach to local residents, shops and businesses. This included writing to all members of the local community to apologise for the disruption and the distribution of free bakery products within the local area. The Managing Director of the business also met personally with the local MP to discuss the damage caused by the fire and future options for the site, which regrettably had to be closed as a direct consequence of the damage sustained.

Example 2: COVID-19 – protecting our workforce and engaging with government authorities

In March 2020, the business was required to respond at speed to unfolding events related to the spread of the COVID-19 virus into the United Kingdom. The business prioritised employee communications and engagement, requiring all personnel whose roles were not essential for food production to stay away from manufacturing sites. A priority was given to employee welfare and engagement as well as community outreach through the donation of food free of charge to those who might otherwise struggle to access it, through FareShare and other food redistribution partners. As the situation unfolded, representatives of the business joined regular calls with Government officials from Defra and other relevant departments including Public Health England. Updates from these meetings were issued to key board directors on a daily basis, covering issues including food manufacturing employee status as key workers; testing availability and protocols for safe working conditions in food manufacturing sites. Regular briefings were issued to all employees and crisis management protocols ensured daily reviews between board members. Separately insights and concerns from within the business units were fed back to dedicated employees who had responsibility for feeding this intelligence into Government to assist with the ongoing management of the food supply chain through the pandemic. This included the preparation of a weekly briefing note on the status of absence figures across the business and any concerns related to supply chain challenges in the context of significantly increased demand. As the year progressed this forum was adapted to provide feedback to the UK Government in relation to preparation for the UK exit from the European Union.

By order of the board

Sarah Arrowsmith

S Arrowsmith
Director
27 May 2021

Weston Centre,
10 Grosvenor Street,
London
W1K 4QY

Directors' report

The directors present their annual report and the audited financial statements for the 50 week period ended 29 August 2020.

Directors and directors' interests

The directors who held office during the period were:

S Arrowsmith
D Barton
M Fowle
C Law
V Lawrence
R Lee
C Minter
L McNamara (resigned 30 April 2021)
I Mace (resigned 8 February 2021)
P Murphy (resigned 1 February 2021)
J Jenkins (resigned 14 October 2019)

Directors appointed after the end of the period:

S Henderson (appointed 23 February 2021)

Dividends

The directors do not recommend the payment of a dividend. (2019: £nil).

Going concern

The Company's business activities together with the factors likely to affect its future development are described in the Strategic report. After making enquiries, including the arrangements with the group undertakings, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Supplier Payment Policy

The Company's policy is to agree payment terms with suppliers when negotiating the terms of each transaction, to ensure that suppliers are fully aware of these payment terms and to abide by them. Trade creditors of the company at 29 August 2020 were equivalent to 22 days' purchases (2019: 24 days), based on the average daily amount invoiced by suppliers during the year.

Disabled Persons

The company gives full and fair consideration to applicants with disabilities; the training, career development and promotion of disabled persons should, as far as possible, be the same as that of other employees.

Disclosure of information to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, Ernst & Young LLP served as independent external auditors for the period of 50 weeks ended 29 August 2020 and will be deemed to be reappointed for the following period.

Directors indemnities

The directors have benefited from the Associated British Foods plc group Directors and Officers Insurance policy.

Corporate Governance statement

The Company is part of the Associated British Foods plc group of companies. As a company with a premium listing on the London Stock Exchange, Associated British Foods plc is subject to the UK Corporate Governance Code 2018 (the "Governance Code").

As a member of the Associated British Foods plc group of companies, the Company has adopted and the directors have due regard to group-wide governance policies and procedures and best practice. As the Company itself is not a listed company, it does not consider it appropriate to adopt the Governance Code itself, though in practice, it is influenced by group-wide governance arrangements in place in order for Associated British Foods plc to meet its obligations under the Governance Code and other governance rules and requirements. The Company is also mindful of the Wates Corporate Governance Principles for Large Private Companies but does not consider it appropriate to adopt those Principles given its status as a member of the Associated British Foods plc group of companies. Instead, the Company's corporate governance framework is generally based on that of Associated British Foods plc.

Purpose and leadership

The purpose of the Company is to provide safe, affordable and nutritious food products in line with the relevant part of the purpose of the broader Associated British Foods plc group of which the Company forms part. The Company does this through manufacturing and marketing a variety of well-known brands, both nationally and internationally. Brands include Kingsmill, Allinson, Burgen, Jordans Cereals, Dorset Cereals, Ryvita, Tolly Boy, Elephant Atta, Lucky Boat, Rajah, HIGH 5 and Reflex. Further information can be found on page 23 of the Associated British Foods Annual Report 2020 under the paragraphs relating to Westmill Foods, Jordans Dorset Ryvita, Allied Bakeries and AB Sports Nutrition.

Culture and values

In the provision of safe, affordable and nutritious food, we share the Associated British Foods plc group values: respecting everyone's dignity; acting with integrity; progressing through collaboration; and pursuing with rigour. We live and breathe our values through the work we do every day, from investing in the health and safety of our colleagues, promoting diversity and respecting human rights.

Board composition

During the course of the financial year ended 29 August 2020, the Board of the Company comprised the Chief Executive of the UK Grocery Division of the Associated British Foods plc group, the Head of Government Affairs and Policy of Associated British Foods plc and the Managing Directors and/or member of senior management of the AB Sports Nutrition, Allied Bakeries, Allied Mills, Germain's, Jordans Dorset Ryvita, Speedibake and Westmill Foods businesses, each of which operated as business divisions of the Company.

Director responsibilities - policies and procedures

As many of the directors have day-to-day management roles within the business divisions operating under the Company, this gives the directors ready access to a broad range of information sources relevant to decision-making. In effect, the implementation and day-to-day execution of the Company's business strategy is delegated on a day-to-day basis to the managing directors and senior management of the different business divisions operating under the Company.

In terms of oversight and management of risk, the Company has adopted the relevant group-wide policies. Key policies, such as minimum standards on whistleblowing, competition law and Anti-Bribery and Corruption policies, are set centrally, as are financial controls. Support in respect of these areas is provided by group central functions such as legal, finance and internal audit.

Stakeholder relationships and engagement

Please see the section 172 statement on pages 5-7 for details of engagement with stakeholders.

Engagement with employees

Details of how the directors have engaged with employees and how the directors have had regard to employee interests, and the effect of that regard including on the principal decisions taken by the Company are set out on pages 5-7.

Engagement with suppliers, customers and others in a business relationship with the Company

See pages 5-7 for information on how the directors have had regard to the need to foster the company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the company during the year.

Streamlined Energy and Carbon Reporting

In compliance with UK reporting requirements (Streamlined Energy and Carbon Reporting), we provide our UK energy and greenhouse emissions data in the table below. The period for which the information is reported (namely 1 August 2019 to 31 July 2020) is different from the period in respect of which the directors' report is prepared as the information for the period 1 August 2019 to 31 July 2020 has been externally assured. The principal energy efficiency measures to reduce our carbon emissions this year include LED lighting replacements and fitting of passive infrared sensors, an increase in compressed air usage and upgrades to production machinery to improve efficiencies. These include upgrades to improve steam and heat recovery and steam recycling, pneumatic conveying of products, power optimisation of wheat debranning processes and transformer replacements. The businesses are committed to energy reductions in line with their Climate Change Agreements (CCA) and targets and to reduce carbon as part of their signatory to The Courtauld Commitment 2025. In addition, Allied Mills' sites operate using management systems accredited to the environmental management standard ISO 14001.

Streamlined energy and carbon reporting 2020

Scope 1 emissions	89,576 tCO ₂ e
Scope 2 emissions	38,838 tCO ₂ e
Energy use	471,377,734 kWh
Emissions intensity (scopes 1 and 2 emissions)	144.62 tonnes of CO ₂ e per £1m of revenue.

We report our GHG inventory using the WRI/WBCSD GHG Protocol Corporate Accounting and Reporting Standard Revised Edition as our framework for calculations and disclosure. We use carbon conversion factors published by the UK's Department for Business, Energy and Industrial Strategy (BEIS) in July 2020, other internationally recognised sources, and bespoke factors based on laboratory calculations at selected locations. This includes all activities where we have operational control.

By order of the board

Sarah Arrowsmith

S Arrowsmith
Director
27 May 2021

Weston Centre,
10 Grosvenor Street,
London,
W1K 4QY

Statement of directors' responsibilities in respect of the Strategic report, Directors' report and the financial statements

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable UK law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) and applicable law. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ABF GRAIN PRODUCTS LIMITED

Opinion

We have audited the financial statements of ABF Grain Products Limited for the 50 week period ended 29th August 2020 which comprise the Income Statement, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 26, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 101 "Reduced Disclosure Framework".

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 29th August 2020 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – disclosures in relation to the impact of COVID-19

We draw attention to note 2 of the financial statements, which describes the financial and operational consequences the Company faces as a result of COVID-19. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ABF GRAIN PRODUCTS LIMITED (continued)

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

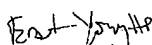
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ABF GRAIN PRODUCTS LIMITED (continued)

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

OS


Andy Clewer (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date May 28, 2021

Notes:

1. The maintenance and integrity of the ABF Grain Products Limited web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Income statement

for the 50 week period ended 29 August 2020 (2019: 52 week period ended 14 September 2019)

	<i>Note</i>	2020 £000	2019 £000
Turnover		904,330	1,021,775
Cost of sales		(679,716)	(773,846)
Gross Profit		224,614	247,929
Selling and distribution costs		(163,805)	(178,515)
Administration expenses		(95,900)	(92,342)
Exceptional items	8	(29,884)	-
Operating loss	3	(64,975)	(22,928)
Interest payable and similar income	7	(357)	(636)
Loss on ordinary activities before taxation		(65,332)	(23,564)
Tax credit	9	6,328	4,515
Loss for the financial period	21	(59,004)	(19,049)

All turnover and operating results in both financial periods are derived from continuing operations.

A reconciliation of movements in shareholders' funds is given in note 21.

Statement of comprehensive Income

The reporting entity had, in both the current and immediately preceding accounting periods, no recognised gains and losses other than the result for that period, therefore no statement of total recognised gains and losses has been presented.

Balance sheet

at 29 August 2020 & 14 September 2019

	Note	2020 £000	2020 £000	2019 £000	2019 £000
Fixed assets					
Goodwill	10		30,863		65,901
Intangible assets	10		20,665		26,338
Tangible assets	11		253,461		292,912
Right-of-use assets	12		12,884		-
Investment in subsidiaries	14		24,346		24,346
			<u>342,219</u>		<u>409,497</u>
Current assets					
Stocks	16	71,875		70,245	
Debtors	17	133,594		157,837	
Cash at bank and in hand		3,156		3,841	
		<u>208,625</u>		<u>231,923</u>	
Creditors: amounts falling due within one year	18	<u>(305,546)</u>		<u>(351,774)</u>	
Net current liabilities			<u>(96,921)</u>		<u>(119,851)</u>
Total assets less current liabilities			<u>245,298</u>		<u>289,646</u>
Creditors: amounts falling due after more than one year	12		<u>(13,215)</u>		<u>-</u>
Provisions for liabilities and charges	19		<u>(13,161)</u>		<u>(11,306)</u>
Net assets			<u>218,922</u>		<u>278,340</u>
Capital and reserves					
Called up share capital	20		200,000		200,000
Hedging reserve			(900)		(181)
Share based payment reserve			5,713		5,172
Profit and loss account			14,109		73,349
Shareholders' funds	21		<u>218,922</u>		<u>278,340</u>

These financial statements were approved by the board of directors on 27 May 2021 and were signed on its behalf by:

Sarah Arrowsmith

S Arrowsmith
Director

Statement of changes in equity

for the 50 week period ended 29 August 2020

	Share capital	Profit and loss reserve	Hedge reserve	Share based payment reserve	Total
	£000	£000	£000	£000	£000
As at 15 September 2018	200,000	92,398	438	4,524	297,360
Loss for the financial period	-	(19,049)	-	-	(19,049)
Movement in hedging reserve	-	-	(619)	-	(619)
Movement in share based payment reserve	-	-	-	648	648
As at 14 September 2019	200,000	73,349	(181)	5,172	278,340
IFRS 16 opening balance adjustment	-	(236)	-	-	(236)
As at 15 September 2019	200,000	73,113	(181)	5,172	278,104
Loss for the financial period	-	(59,004)	-	-	(59,004)
Movement in hedging reserve	-	-	(719)	-	(719)
Movement in share based payment reserve	-	-	-	541	541
As at 29 August 2020	200,000	14,109	(900)	5,713	218,922

Notes

(forming part of the financial statements)

1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of ABF Grain Products Limited (the "Company") for the 50 weeks ended 29 August 2020 were authorised for issue by the board of directors on 27 May 2021 and the balance sheet was signed on the board's behalf by S Arrowsmith. ABF Grain Products Limited is incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Associated British Foods plc. The results of ABF Grain Products Limited are included in the consolidated financial statements of Associated British Foods plc which are available from Weston Centre, 10 Grosvenor Street, London, W1K 4QY.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year. The Company has taken advantage of the following disclosure exemptions under FRS 101 as the equivalent disclosures are included in the consolidated financial statements of Associated British Foods plc:

- (a) The requirements of paragraphs 45(b) and 46-52 of IFRS 2 *Share based Payments*;
- (b) the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 *Business Combinations*;
- (c) the requirements of IFRS 7 *Financial Instruments*;
- (d) the requirements of paragraphs 91-99 of IFRS 13 *Fair Value Measurement*;
- (e) the requirement in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 118(e) of IAS 38 *Intangible Assets*;
- (f) The requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 *Presentation of Financial Statements*;
- (g) the requirements of IAS 7 *Statement of Cash Flows*;
- (h) the requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*;
- (i) the requirements of paragraph 17 of IAS 24 *Related Party Disclosures*;
- (j) the requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member ; and
- (k) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 *Impairment of Assets*.

IFRS 16 introduces a new model for the identification of leases and accounting for lessors and lessees. It replaces IAS 17 Leases and other related requirements. The Company adopted IFRS 16 on 15 September 2019 and applies it for the first time in the 2020 financial year. The new standard describes the rules for the recognition, measurement, presentation and disclosure of leases. IFRS 16 distinguishes leases from service contracts on the basis of control of an identified asset. For lessees, it removes the previous accounting distinction between (off-balance sheet) operating leases and (on-balance sheet) finance leases and introduces a single model recognising a lease liability and corresponding right-of-use asset for all leases except for short-term leases and leases of low-value assets.

Notes (continued)

2. Accounting policies

2.1 Basis of preparation

These accounts have been prepared on a going concern basis under FRS 101 'Reduced Disclosure Framework'. FRS 101 sets out a reduced disclosure framework which addresses the financial reporting requirements and disclosure exemptions for the individual financial statements of subsidiaries and ultimate parents that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS. The Company has taken advantage of the disclosure exemptions allowed under this standard. The Company's parent undertaking was notified of and did not object to the use of FRS 101 disclosure exemptions.

COVID-19

The COVID-19 pandemic has continued across the world. This has highlighted the importance of the global food supply chain, in which the Company plays an important part.

The COVID-19 pandemic has, at the time of approving these financial statements, had no adverse impact on the Company. The demand for retail food staples has increased significantly as consumers stockpile. The repeated closure of pubs and restaurants has led to a reduced demand for foodservice supply, offset by an increased demand for home cooking options. Our supply chain remains strong and we are working closely with retailers to ensure good supplies of products.

Uncertainty as to the length of the pandemic and the related measures to combat it mean that the 2021 full year impact cannot yet be known.

Going concern

As set out in note 26, the smallest group in which the results of the company are consolidated is that headed by Associated British Foods plc, which confirmed in its Annual Report dated 3 November 2020 that its directors have a reasonable expectation that the Associated British Foods plc group has adequate resources to continue in operational existence for the foreseeable future.

The Company has received a letter of support from its intermediate parent company, ABF Investments plc, indicating that it will receive the financial and other support necessary for the Company to trade and meet its liabilities as and when they become due for a period of at least twelve months from the date of signing of these financial statements.

After making due enquiries and considering the impact of COVID-19 and the support available from the intermediate parent company described above, the directors have a reasonable expectation that the Company has adequate resources to continue in operation for at least 12 months from the date of signing of these financial statements. These considerations included the impact of COVID-19 on the wider ABF group, the ABF group's directors' assessment of going concern (as set out in the 2021 Interim Results Announcement dated 20 April 2021 and available at www.abf.co.uk), which included the significant levels of cash and undrawn committed long-term facilities available to the group and the ABF group's directors' stress testing of cash flow forecasts through to September 2022, and an assessment of any developments since that date that would adversely affect that conclusion. Accordingly, the financial statements have been prepared on the going concern basis.

2.2 Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements and estimates have had the most significant effect on amounts recognised in the financial statements:

Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

Notes (continued)

2 Accounting policies (continued)

Impairment

Assessment for impairment involves comparing the book value of an asset with its recoverable amount (being the higher of value in use and fair value less costs to sell). Value in use is determined with reference to projected future cash flows discounted at an appropriate rate. Both the cash flows and the discount rate involve a significant degree of estimation uncertainty.

Rebates

It is Company policy to recognise turnover after deducting rebates and price discounts (see note 2.3 a). If these deductions were recognised elsewhere in the income statement, turnover may be materially higher although profit would be unchanged.

2.3 Significant accounting policies

a) Turnover

The turnover shown in the profit and loss account represents the value of sales made to customers after the deduction of discounts and excluding value added tax. Discounts include sales rebates, price discounts, customer incentives, certain promotional activities and similar activities. Turnover is recognised when performance obligations are satisfied, goods are delivered to customers and control of goods is transferred to the buyer.

An analysis of turnover, as required by Companies Act 2006, has been omitted on the grounds that the directors believe that disclosure would be seriously prejudicial to the commercial interest of the Company.

b) Foreign currency translation

The company's financial statements are presented in sterling, which is also the company's functional currency. Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

c) Derivatives

Derivatives are used to manage the company's economic exposure to financial and commodity risks. The principal instruments used are foreign exchange and commodity contracts, futures, swaps or options (the 'hedging instrument'). The company does not use derivatives for speculative purposes.

Derivatives are recognised in the balance sheet, at fair value, based on market prices or rates, or calculated using either discounted cash flow or option pricing models. Changes in the value of derivatives are recognised in the income statement unless they qualify for hedge accounting, when recognition of any change in fair value depends on the nature of the item being hedged. The purpose of hedge accounting is to mitigate the impact on the company's income statement of changes in foreign exchange or interest rates and commodity prices, by matching the impact of the hedged risk and the hedging instrument in the income statement.

The hedging reserve represents gains or losses on derivatives used as hedges of future cash flows before the underlying transaction being hedged is recognised on the balance sheet. Movements in the value of derivatives are tested against movements in value of the underlying transaction being hedged for effectiveness. Any ineffective portion of the derivative is recognised immediately in the income statement. When the future cash flow results in the recognition of a non-financial asset or liability, the gains and losses previously recognised in the hedging reserve are included in the initial measurement of that asset or liability. Otherwise, gains and losses previously recognised in the hedging reserve are recognised in the income statement at the same time as the hedged transaction.

Notes *(continued)*

2 Accounting policies *(continued)*

c) Derivatives *(continued)*

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in the hedging reserve is retained in the hedging reserve until the forecast transaction occurs. Gains or losses on hedging instruments relating to an underlying exposure that no longer exists are taken to the income statement. Hedges of the company's net investment in foreign operations principally comprise borrowings in the currency of the investment's net assets.

The company economically hedges foreign currency exposure on recognised monetary assets and liabilities but does not normally seek hedge accounting. Any derivatives that the group holds to hedge this exposure are classified as 'held for trading' within derivative assets and liabilities. Changes in the fair value of such derivatives and the foreign exchange gains and losses arising on the related monetary items are recognised within operating profit.

d) Intangible fixed assets - brands

Capitalised brands arose on the acquisition of the trade of BE International in February 2007, Elephant Atta in July 2013 and Dorset Cereals in October 2014. These brands are being amortised over their useful economic lives not exceeding 20 years.

e) Intangible fixed assets – licences

Licences for the use of bread baskets are supplied by Bakers BASCO Ltd, and are issued for continued use of baskets until technology renders the current design obsolete. Licences are also held for various pieces of software used within the business. In the opinion of the directors the useful economic life of these assets is 5 years and the cost of these licences is therefore amortised over this period on a straight-line basis.

f) Intangible fixed assets – software

Consistent with IAS 38, software costs are classified as an intangible fixed asset, unless they are an integral part of the related hardware in which case they are classified as a tangible fixed asset.

g) Goodwill

Goodwill arising on a business combination is the excess of the remeasured carrying amount of any existing equity interest plus the fair value of consideration payable for the additional stake over the fair value of the share of net identifiable assets and liabilities acquired (including separately identified intangible assets), net of non-controlling interests. Total consideration does not include acquisition costs, which are expensed as incurred. Certain commercial assets associated with the acquisition of a business are not capable of being recognised in the acquisition balance sheet. In such circumstances, goodwill is recognised, which may include, but is not necessarily limited to, workforce assets and the benefits of expected future synergies. Goodwill is not amortised but is subject to an annual impairment review.

g) Research and development

Expenditure on research reflected in the income statement in the year in which the expenditure is incurred. Development expenditure is capitalised if the product or process is technically and commercially feasible but is otherwise expensed as incurred.

h) Investments

Investments in subsidiaries, associates and joint ventures are held at historical cost less any applicable provision for impairment.

Notes (continued)

2 Accounting policies (continued)

i) Tangible fixed assets and depreciation

Tangible fixed assets are carried at their original cost less accumulated depreciation.

Depreciation, calculated on cost, is provided on a straight-line basis over the expected life of the asset. No depreciation is provided on freehold land. Leaseholds are written off over the period of the lease. The expected life of other assets is generally deemed to be not longer than:

Freehold buildings	-	50 years
Plant, machinery, fixtures and fittings:		
other operations	-	3-20 years
vehicles	-	5-10 years
computer equipment	-	3-7 years

Calculation of recoverable amount

The recoverable amount of fixed assets is the greater of their net realisable value and value in use. In assessing value in use, the expected future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the rate of return expected on an equally risky investment. For an asset that does not generate largely independent income streams, the recoverable amount is determined for the income-generating unit to which the asset belongs.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the income statement in the period of derecognition.

j) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been recognised for the asset or cash generating unit in prior years. A reversal of impairment loss is recognised immediately in the income statement, unless the asset is carried at a revalued amount when it is treated as a revaluation increase.

i) Provisions for liabilities

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. If the effect is material, expected future cash flows are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when recovery is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

Notes (continued)

2 Accounting policies (continued)

j) Leases

Right-of-use assets

Right of use assets are recognised at the commencement date of the lease, which is the date the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for subsequent remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term and are subject to impairment. Right-of-use assets are subsequently measured at cost less accumulated depreciation and any impairment losses, adjusted for any remeasurement of the lease liability.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease and are measured at the present value of lease payments to be made over the lease term, discounted using the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Lease payments include fixed payments, including in-substance fixed payments, and variable lease payments that depend on an index or a rate, less any lease incentives receivable. Variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

After the commencement date of the lease, the lease liability is subsequently measured at amortised cost using the effective interest rate method. The carrying amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured when there is a change in future lease payments due to a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

k) Inventories

Inventories are valued at the lower of cost and net realisable value after making due provision against obsolete and slow-moving items. In the case of work in progress and finished goods manufactured by the Company, the term 'cost' includes ingredients, production wages and an appropriate proportion of attributable production overheads.

l) Taxation

Corporation tax payable is provided on taxable profits at the prevailing rate. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Notes (continued)

2 Accounting policies (continued)

m) Pension costs

The Company participates in a group wide pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company. The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent basis and therefore, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

n) Share based payment reserve

The Associated British Foods group operates a Share Incentive Plan which allows employees to receive allocations of shares subject to the attainment of certain financial performance criteria and typically after a three-year performance period. The fair value of the shares to be awarded is recognised as an employee expense by the company, with a corresponding increase in the share based payment reserve. The fair value is measured at grant date and charged to the income statement over the period during which the employee becomes unconditionally entitled to the shares. The fair value of the shares allocated is measured taking into account the terms and conditions of the Share Incentive Plan under which the shares were allocated. The amount recognised as an expense is adjusted to reflect the actual number of shares that vest.

3 Operating loss

	50 weeks ended 29 August 2020 £000	52 weeks ended 14 September 2019 £000
Loss on ordinary activities before taxation is stated after charging:		
Amortisation of intangible assets	9,861	10,731
Gain on sale of land	(8,568)	(1,399)
Losses/(gains) on foreign exchange transactions	288	(211)
Net gain on insurance claim	(5,154)	-
Impairment of goodwill	35,038	-
Depreciation of tangible fixed assets	25,764	30,605
Depreciation of right-of-use assets	3,230	-
Impairment of property, plant and equipment and right-of-use assets	15,000	-
Rentals payable under property operating leases	-	1,434
Hire of plant and machinery		
– rentals payable under operating leases	-	1,465
	<hr/>	<hr/>
	50 weeks ended 29 August 2020 £000	52 weeks ended 14 September 2019 £000
Auditor's remuneration:		
Audit of these financial statements	547	475
Non-audit services	-	5
	<hr/>	<hr/>
	547	480
	<hr/>	<hr/>

Notes (continued)

4 Remuneration of directors

	50 weeks ended 29 August 2020 £000	52 weeks ended 14 September 2019 £000
Directors' emoluments	2,965	2,819
Pension scheme contributions	37	55
Long-term incentive plans	526	92
	<u>3,528</u>	<u>2,966</u>

The aggregate emoluments of the highest paid director were £940,266 (2019: £536,604).

Retirement benefits under a defined benefit pension arrangement accrued to no directors in the current year.

5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the period was:

	Number of employees
	50 weeks ended 29 August 2020
Average number of employees per week	6,053

The aggregate payroll costs of these persons were:

	50 weeks ended 29 August 2020 £000	52 weeks ended 14 September 2019 £000
Wages and salaries	198,980	207,720
Social security costs	21,204	22,693
Other pension costs	18,081	18,614
	<u>238,265</u>	<u>249,027</u>

6 Pensions

The Company is a member of the Associated British Foods Pension Scheme which provides benefits based on final pensionable pay. Because the Company is unable to identify its share of the scheme's assets and liabilities on a consistent basis, the scheme is accounted for by the Company as if it were a defined contribution scheme. On 30 September 2002 the scheme was closed to new members and a defined contribution arrangement was put in place for other employees. For the defined contribution scheme, the pension costs are the contributions payable.

The most recent triennial funding valuation of the Scheme was carried out as at 5 April 2017, using the current unit method, and revealed a surplus of £176m. The market value of the Scheme assets was £3,789m, representing 105% of members' accrued benefits after allowing for expected future salary increases. Full IAS 19 disclosures can be found on page 165 of the financial statements of Associated British Foods plc, which may be obtained from Weston Centre, 10 Grosvenor Street, London, W1K 4QY. These financial statements are also available for download from the group's website at www.abf.co.uk.

Notes (continued)

7 Interest payable and similar income

	50 weeks ended 29 August 2020 £000	52 weeks ended 14 September 2019 £000
Interest payable on intercompany balances	(357)	(636)

8 Exceptional Items

In February 2020, our Speedibake Wakefield factory was destroyed by fire and an exceptional charge of £25m was recognised in the income statement. This comprised an £18m non-cash write-down of property, plant and equipment, a £1m provision against inventory and £6m of closure costs. Net insurance proceeds of £30m were received, more than offsetting the exceptional charge recorded in the first half. The full year position is an exceptional gain of £5m.

In the ABF plc accounts the H5 and Reflex brands have been reflected as intangible assets. The directors have decided to write down the value of Goodwill by £35m reflecting the reduction in useful economic life shown in the ABF plc accounts. This offsets the £5m net gain above, leading to a total exceptional charge of £30m in the accounts.

9 Taxation

	50 weeks ended 29 August 2020 £000	52 weeks ended 14 September 2019 £000
<i>UK corporation tax</i>		
Current tax on income for the period	(781)	(5,699)
Adjustment in respect of previous periods	496	9
Total current tax	(285)	(5,690)
<i>Deferred tax (see Note 19)</i>		
Origination and reversal of timing differences	(5,590)	1,563
Effect of change in tax rate	1,041	-
Adjustment in respect of previous periods	(1,494)	(388)
Total deferred tax	(6,043)	1,175
Tax credit on profit on ordinary activities	(6,328)	(4,515)

Notes (continued)

9 Taxation (continued)

Current tax reconciliation

	50 weeks ended 29 August 2020 £000	52 weeks ended 14 September 2019 £000
Loss on ordinary activities before tax	(65,332)	(23,564)
Current tax credit at 19% (2019: 19%)	(12,413)	(4,477)
Effect of rate change	1,041	(183)
Expenses not deductible for tax purposes	8,080	857
Loss on exempt disposals	(2,038)	(332)
Adjustments to tax charge in respect of previous years	(998)	(379)
Total tax credit	(6,328)	(4,515)
UK corporation tax debtor	10,204	9,189
Deferred tax liability	2,553	8,812
<i>Movement in deferred tax provision</i>		
At beginning of period	8,812	7,764
Charge to income statement for the period	(6,043)	1,175
Tax to reserves	(216)	(127)
At end of period	2,553	8,812

A UK corporation tax rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. The legislation to effect these changes was enacted before the balance sheet date and UK deferred tax has accordingly been calculated at 19%.

After the balance sheet date, it was announced that the UK's main rate of corporation tax rate applicable from 1 April 2023 will increase to 25% from 19%. This change was not substantively enacted at the balance sheet date and hence the impact has not been reflected in the measurement of deferred tax balances at the year end, but it is anticipated that substantive enactment will occur later in the year.

Notes (continued)

10 Intangible fixed assets

	Brands £000	Software £000	Licences £000	Goodwill £000	Total £000
Cost					
At beginning of period	71,436	20,668	1,848	66,761	160,713
Additions	-	4,188	-	-	4,188
Disposals	-	(3)	-	-	(3)
At end of period	71,436	24,853	1,848	66,761	164,898
Amortisation or impairment					
At beginning of period	53,483	12,283	1,848	860	68,474
Charge for period	7,542	2,319	-	-	9,861
Impairment	-	-	-	35,038	35,038
Disposals	-	(3)	-	-	(3)
At end of period	61,025	14,599	1,848	35,898	113,370
Net book value					
At 29 August 2020	10,411	10,254	-	30,863	51,528
At 14 September 2019	17,953	8,385	-	65,901	92,239

The capitalised brands were acquired as part of the acquisition of BE International in 2007, Elephant Atta in July 2013, Dorset Cereals in October 2014. The main brands, Elephant, Dorset Cereals, Rajah, Green Dragon and Lotus, were valued as part of their respective acquisitions and are being amortised over a period between 8 and 20 years.

The Goodwill relates to the following cash generating units (CGUs) Westmill Foods (£7m), Dorset Cereals (£15m) and HIGH5 (£9m). In the ABF plc accounts the H5 and Reflex brands have been reflected as intangible assets. The directors have decided to write down the value of Goodwill by £35m reflecting the reduction in useful economic life shown in the ABF plc accounts.

The carrying value of goodwill is assessed by reference to its value in use to perpetuity reflecting the projected cash flows of each of the CGUs or group of CGUs. The key assumptions in the most recent forecast on which the cash flow projections are based relate to discount rates, growth rates and expected changes in volumes, selling prices and direct costs. Each CGU carries out impairment testing, where each CGU had positive headroom across a range of discount rates from 7.5% - 11.5%.

Notes (continued)

11 Tangible fixed assets

	Land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Assets under construction £000	Total £000
Cost					
At beginning of period	147,644	614,685	44,964	44,459	851,752
Additions	80	8,833	2,084	13,688	24,685
Disposals	(9,373)	(57,914)	(3,547)	-	(70,834)
Transfers	1,315	28,417	3,772	(33,504)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of period	139,666	594,021	47,273	24,643	805,603
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation and impairment					
At beginning of period	54,487	470,249	34,104	-	558,840
Depreciation for the period	7,125	36,754	2,248	-	46,127
Impairment	-	12,645	-	-	12,645
On disposals	(8,407)	(56,505)	(558)	-	(65,470)
Transfers	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of period	53,205	463,143	35,794	-	552,142
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 29 August 2020	86,461	130,878	11,479	24,643	253,461
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 14 September 2019	93,157	144,436	10,860	44,459	292,912
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Analysis of land and buildings at net book value:

	29 August 2020 £000	14 September 2019 £000
Freehold land and buildings	71,649	77,904
Short leasehold	14,812	15,253
	<hr/>	<hr/>
	86,461	93,157
	<hr/>	<hr/>

Freehold land of £10,831,000 (2019: £10,929,000) is not depreciated.

Notes (continued)

12 Leases

The company adopted IFRS 16 Leases on 15 September 2019.

Right-of-use assets

	Land and buildings £000	Plant and machinery £000	Total £000
Cost			
IFRS 16 opening balance adjustment at 15 September 2019	14,518	3,533	18,051
Additions	191	173	364
Other movements	222	(168)	54
	<hr/>	<hr/>	<hr/>
At end of period	14,931	3,538	18,469
	<hr/>	<hr/>	<hr/>
Depreciation and impairment			
Depreciation for the period	1,892	1,338	3,230
Impairment	2,213	142	2,355
	<hr/>	<hr/>	<hr/>
At end of period	4,105	1,480	5,585
	<hr/>	<hr/>	<hr/>
Net book value			
At 29 August 2020	10,826	2,058	12,884
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
IFRS 16 opening balance adjustment at 15 September 2019	14,518	3,533	18,051
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The £2.4m impairment in the year related to Allied Bakeries and is included within operating profit.

Lease liabilities

	Land and buildings £000	Plant and machinery £000	Total £000
Cost			
IFRS 16 opening balance adjustment at 15 September 2019	15,219	3,563	18,782
Additions	190	163	353
Interest expense	52	1	53
Repayments	(1,847)	(1,328)	(3,175)
Other movements	225	(167)	58
	<hr/>	<hr/>	<hr/>
At 29 August 2020	13,839	2,232	16,071
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Current			2,856
Non-current			13,215
			<hr/>
			16,071
			<hr/> <hr/>

Notes (continued)

12 Leases (continued)

The company had the following expense relating to short-term and low value leases:

	Total £000
Plant and machinery	112

13 Fixed asset investments

The companies in which the Company's interest at the period is more than 20% are as follows:

Participating interests	Country of incorporation	Principal activities	Percentage held of ordinary class shares
Chiltern Bakeries Limited ^{Note 1}	United Kingdom	Distributor of bread products	44%
Bakers BASCO Limited ^{Note 2}	United Kingdom	Administrator of pool of baskets used in the bread industry	20%

^{Note 1} Registered office address is Fine Lady Bakeries Ltd, Southam Road, Banbury, Oxfordshire, OX16 2RE

^{Note 2} Registered office address is 6th Floor 10 Bloomsbury Way 6th Floor 10 Bloomsbury Way, London, England, WC1A 2SL

14 Investment in subsidiaries

	Subsidiary undertakings £000
Cost	
At 14 September 2019	68,479
Additions	-
	<hr/>
At 29 August 2020	68,479
	<hr/>
Transfer to Goodwill on Hive-up	
At 14 September 2019	(44,133)
	<hr/>
At 29 August 2020	(44,133)
	<hr/>
Provision for impairment	
At 14 September 2019	-
	<hr/>
At 29 August 2020	-
	<hr/>
Net book value	
At 14 September 2019	24,346
	<hr/>
At 29 August 2020	24,346
	<hr/>

Notes (continued)

14 Investment in subsidiaries (continued)

The company's subsidiaries are as follows:

Subsidiary	Country of incorporation	Investment £	Percentage ordinary shares held
H 5 Limited ^{Note 3}	United Kingdom	3,832,000	100%
Reflex Nutrition Limited ^{Note 3}	United Kingdom	4,393,000	100%
Dorset Cereals Limited ^{Note 3}	United Kingdom	16,121,000	100%
Allied Technical Centre Limited ^{Note 3}	United Kingdom	100	100%
Pro-Active Nutrition Limited ^{Note 3}	United Kingdom	1	100%
Allied Mills Limited ^{Note 3}	United Kingdom	100	100%

^{Note 3} Registered office address is Weston Centre, 10 Grosvenor Street, London, United Kingdom, W1K 4QY

15 Capital commitments

The Company has capital expenditure commitments of £2,187,000 (2019: £3,866,000) for which no provision has been made in these financial statements.

16 Stocks

	29 August 2020 £000	14 September 2019 £000
Raw materials and consumables	35,515	35,240
Work in progress	134	113
Finished goods and goods for resale	36,226	34,892
	<u>71,875</u>	<u>70,245</u>

17 Debtors

	29 August 2020 £000	14 September 2019 £000
Trade debtors	98,190	121,502
Amounts owed by parent undertakings	679	-
Amounts owed by group undertakings	14,984	15,562
Other debtors	563	1,043
Prepayments and accrued income	5,624	7,073
Corporation tax	10,204	9,189
Other taxes and VAT	3,350	3,468
	<u>133,594</u>	<u>157,837</u>

Trade debtors are non-interest bearing and are normally settled on average on 45 days terms. Amounts owed by parent undertakings of £679k (2019: £44,137k owed to parent undertakings) relate to loans owed by Associated British Foods plc and bear interest at LIBOR + 0.25% (2019: LIBOR + 0.25%) set biannually. Amounts owed by group undertakings of £14,984k (2019: £15,562k) relate to trade with group subsidiaries and are non-interest bearing and normally settled within 30 days.

Notes (continued)

18 Creditors

	29 August 2020 £000	14 September 2019 £000
<i>Amounts falling due within one year</i>		
Lease liabilities	2,856	-
Trade creditors	56,270	64,034
Amounts owed to parent undertakings	-	44,137
Amounts owed to group undertakings	191,793	192,075
Other taxes and social security	12,747	10,092
Other creditors	1,261	645
Accruals and deferred income	39,231	38,433
Capital creditors	1,388	2,358
	<u>305,546</u>	<u>351,774</u>

Trade creditors are non-interest bearing and are normally settled on average on 22 days terms. Amounts owed to group undertakings of £180,935k (2019: £180,935k) are non-interest-bearing and represent balances owed to other group companies following the hive-up of Food Investments, Jordans Ryvita, Dorset Cereals, Reflex and HIGH5. Other amounts owed to group undertakings of £10,858k (2019: £11,140k) relate to trade with group subsidiaries and are non-interest bearing and normally settled within 30 days. Based on impairment testing performed on investments, we did not identify any impairment indicators. As a result, we concluded that no event is triggering the recoverability of loans granted to subsidiaries.

19 Provisions for liabilities and charges

	Deferred Tax £000	Deferred consideration £000	Restructuring £000	Other £000	Total £000
At beginning of period	8,812	228	2,116	150	11,306
Amounts charged/(credited) to the income statement	(6,043)	-	15,517	261	9,735
Utilised in the period	-	-	(7,664)	-	(7,664)
Movement in deferred tax on hedging reserve	(216)	-	-	-	(216)
At end of period	<u>2,553</u>	<u>228</u>	<u>9,969</u>	<u>411</u>	<u>13,161</u>

Deferred tax arises primarily on the timing differences between capital allowances and book depreciation and on provisions for expenditure that will be deductible in a later period for tax purposes. Deferred consideration comprises estimates of amounts due to the previous owners of H5 Limited and Reflex Nutrition Limited which are linked to performance and other conditions. Restructuring provisions relate primarily to Allied Bakeries and Speedibake. Other provisions relate to and dilapidations of the Enfield warehouse.

Notes (continued)

20 Called up share capital

	Number	29 August 2020 £000	Number	14 September 2019 £000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	200,000,000	200,000	200,000,000	200,000
		<u>200,000</u>		<u>200,000</u>

21 Reconciliation of movement in shareholder's funds

	50 week period ended 29 August 2020 £000	52 week period ended 14 September 2019 £000
IFRS 16 opening balance adjustment	(236)	-
Loss for the financial period	(59,004)	(19,049)
Movement in hedging reserve	(719)	(619)
Movement in share based payment reserve	541	648
	<u>(59,418)</u>	<u>(19,020)</u>
Net decrease in shareholder's funds	(59,418)	(19,020)
Opening shareholder's funds	278,340	297,360
	<u>218,922</u>	<u>278,340</u>
Closing shareholder's funds	218,922	278,340

22 Employee share schemes

The Associated British Foods Executive Share Incentive Plan 2003 ('the Share Incentive Plan') was approved and adopted by Associated British Foods plc at its annual general meeting held on 5 December 2003. It takes the form of conditional allocations of shares which will be released if, and to the extent that, certain performance targets are satisfied over a three-year performance period.

The Company recognised total equity-settled share-based payment expense of £541,000 (2019 – £648,000).

Further information regarding the operation of the share incentive plan can be found in the financial statements of Associated British Foods plc which may be obtained from Weston Centre, 10 Grosvenor Street, London, W1K 4QY. These financial statements are also available for download from the group's website at www.abf.co.uk

Notes (continued)

23 Operating leases

At 29 August 2020 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings £000	29 August 2020 Plant and machinery £000	Land and buildings £000	14 September 2019 Plant and machinery £000
Within one year	-	-	1,440	1,304
In two to five years inclusive	-	-	4,541	2,112
Over five years	-	-	10,534	2
	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	16,515	3,418
	<hr/>	<hr/>	<hr/>	<hr/>

24 Subsequent events

Post year end, the Company hived-down its Milling operations with a view to consolidating all of these operations within a single entity. The Company also sold its 44% stake in Chiltern Bakeries Limited for the cost of the original investment, hence recognised no profit or loss on this sale.

25 Related party transactions

The company has taken advantage of the exemption in FRS 101, para 8(k), not to disclose transactions with other group companies which meet the criteria that all subsidiary undertakings which are party to the transaction are wholly owned by the ultimate controlling party.

26 Ultimate parent undertaking and parent undertaking of larger group of which the Company is a member

The immediate holding company is Sunblest Bakeries Limited, a company registered in England and Wales. The ultimate holding company and controlling party is Wittington Investments Limited, which is incorporated in Great Britain and registered in England and Wales.

The largest group in which the results of the Company are consolidated is that headed by Wittington Investments Limited. The smallest group in which they are consolidated is that headed by Associated British Foods plc, which is incorporated in Great Britain and registered in England and Wales. The consolidated accounts of these groups are available to the public and may be obtained from Associated British Foods plc, Weston Centre, 10 Grosvenor Street, London, W1K 4QY. The consolidated accounts of Associated British Foods plc are also available for download on the group's website at www.abf.co.uk.