Allied Mills Limited

Strategic report, directors' report and financial statements

Registered number 12777595

For the period of 52 weeks ended 27 August 2022

Contents

Strategic report

Principal activities
In the course of the period principal activities were the manufacture and sale of wheat flour.

Business model
Allied Mills Ltd is comprised of the milling operations of ABF Grain Products Ltd and the milling operations of Silver Spoon. The Company sells all its flour either to ABF Grain Products for the manufacture of bread and other bakery products under Kingsmill, Sunblest, Allinson's and Burgen brands, and to Silver Spoon for packaging for sale under the Allinson's brand.

Business review
The profit for the period of 52 weeks ended 27 August 2022 after taxation is £9,190,000 (last year £7,061,000) on turnover of £237,629,000 (last year £175,659,000).

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

	2022	2021
Gross margin percentage	10.1%	11.8%
Operating profit percentage	4.2%	5.2%
Flour tonnage manufactured	524,717t	490,696t
ROCE	59.1%	58.0%
Stock turnover	14 times	13 times

The financial year has seen unprecedented levels of inflation in both wheat and electricity costs. It has not been possible for the business to absorb these inflationary pressures and as such the business has had little alternative other than to pass price increases onto its two main customers which is reflected in the sales increase of 35.3% above last year. The end result has been an increase in the price of bread and retail bagged flour. Given the inflationary pressures the business has come under, along with the timing delay of price recovery, gross margin has fallen from 11.8% last year to 10.1% this year. Manufactured tonnes have increased by 6.9% as end consumers have come out of COVID lockdown and management actions to secure supply of wheat by holding higher than normal stock levels, have resulted in no shortages of flour.

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 94 to 101 of the 2022 Annual Report, which is available at www.abf.co.uk. 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.

Strategic report *(continued)*

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.

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 71 of the Associated British Foods plc Annual Report and Accounts 2022. Please also see the Associated British Foods plc Section 172 Statement on pages 64 to 68 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
- Other ABF group entities

Employees

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.

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.

Strategic report *(continued)*

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.

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 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. 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. The Company takes appropriate steps to ensure that its shareholder is kept up to date on key business activities and decisions.

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.

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: Environmental and Social Governance (ESG).
Over the past twelve months we have continued to focus on Environmental and Social Governance. Our three UK mills are all certified to the ISO14001 environmental standard, and we are focussed upon decarbonisation in alignment with the The Courtauld 2030 commitment, of which we are a signatory.

- Courtauld 2030 requires us to work towards a 50% reduction in our absolute Greenhouse Gas (GHG) emissions across our entire supply chain by 2030, based upon a 2015 base line. Last year we reported on our investment in more efficient production and process control equipment, and our participation in an 'energy triage' process with our electricity supplier to optimise utilisation from the grid. These interventions contributed to a verified 48% reduction in our Scope 1 and 2 GHG emissions between 2015 and 2021.

- Allied Mills also purchases grain from over 2,000 UK farms, all of which are assured to the *Red Tractor* Combinable Crops Standard. The business is now in the third year of a five year trial programme to assess the impact of sustainable farm management protocols, specifically including minimum tillage (or min-till farming), on crop yields and soil carbon sequestration. The goal of this trial is to contribute insight and data to the broader UK arable farming community to help shape the development of efficient farm-management interventions to assist with decarbonisation of its arable supply chain. Over the past twelve months the business has contracted to work with Downforce Technologies to undertake a detailed data assessment of the farms within this programme to validate the environmental impact of the management interventions implemented as part of the trial.

Example 2: Supplier Ethical Data Exchange (SEDEX)
Allied Mills requires its direct raw material suppliers to provide information about conditions for workers within their facilities and their approach to environmental management through the Supplier Ethical Data Exchange (or SEDEX) database. This data is evaluated to help ensure compliance with our parent company, Associated British Foods, Supplier Code of Conduct. The business also completes the SEDEX questionnaire and supplies this data to its customers for the purpose of their own ethical assessments of our operations, which also include periodic ethical audit assessments.

Over the past twelve months, we have continued to manage data reporting in relation to SEDEX through a single specialist data centre. This data is evaluated monthly by management teams within the business, and shared with the Board of Directors periodically, with targets set to monitor compliance. During the year, over 95% of those suppliers in scope provided our business with information through the SEDEX Self-Assessment Questionnaire and 87% completed the questionnaire, as requested. We continue to target 100% completion.

By order of the board

Sarah Arrowsmith

SCM Arrowsmith
Director
26 May 2023

Registered office
Weston Centre
10 Grosvenor Street
London
W1K 4QY

Directors' report

The directors present their annual report and the audited financial statements for the 52 week period ended 27 August 2022.

Directors and directors' interests
The directors who held office during the period were:

SCM Arrowsmith
GE Burnett
R Lee (resigned 11 April 2022)

Dividends
The directors do not recommend the payment of a dividend.

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 twelve months from the date of signing of these financial statements.

After making enquiries and considering 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 twelve months from the date of signing of these financial statements. These considerations included the ABF group's directors' assessment of going concern (as set out in the Interim Results Announcement dated 23 April 2023, 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 the end of the 2024 financial year, 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.

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 27 August 2022 were equivalent to 37 days' purchases, 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 52 weeks ended 27 August 2022 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.

Directors' report *(continued)*

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), the directors provide the Company's UK energy and greenhouse ("GHG") emissions data in the table below.
The period for which the information is reported (namely 1 August 2021 to 31 July 2022) is different from the period in respect of which the directors' report is prepared as the information for the Streamlined Energy and Carbon Reporting period has been externally assured. The principal energy efficiency measures to reduce our carbon emissions this year include LED upgrades and the installation of an energy efficient heater-drier unit for a product packaging area.
Through UK Grocery's signatory to the updated Courtauld Commitment 2030, Allied Mills is committed to energy and GHG emissions reductions. The Courtauld Commitment aims to deliver a 50% absolute reduction in GHG emissions associated with food and drink consumed in the UK by 2030 (against a 2015 baseline).

In addition, Allied Mills' sites operate using management systems accredited to the environmental management standard ISO 14001.

	2022	2021
Scope 1 emissions	3,595 tCO_2e	3,995 tCO_2e
Scope 2 location-based emissions	10,550 tCO_2e	11,124 tCO_2e
Energy use	60,777,303 kWh	58,299,601 kWh
Emissions intensity (scopes 1 and 2 emissions)	59.53 tonnes of CO_2e per £1m of revenue	86.07 tonnes of CO_2e 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 June 2022, 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

SCM Arrowsmith
Director
26 May 2023

Registered office
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 (FRS 101) 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 ALLIED MILLS LIMITED

Opinion

We have audited the financial statements of Allied Mills Limited for the 52 week period ended 27 August 2022 which comprise the Income statement, the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes 1 to 21, 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 including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 27 August 2022 and of its profit for the 52 week 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. 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.

Conclusions relating to going concern

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.

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 company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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 contained within the annual report.

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 ALLIED MILLS LIMITED (continued)

Other information (continued)

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 10, 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALLIED MILLS LIMITED (continued)

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (FRS 101 - United Kingdom Generally Accepted Accounting Practice and the Companies Act 2006) and the relevant tax laws and regulations in the UK. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being those laws and regulations relating to health and safety and employee matters.
- We understood how Allied Mills Limited is complying with those frameworks by making enquiries of management, risk and compliance team, those responsible for legal and compliance procedures and the Company Secretary to understand how the Company maintains and communicates its policies and procedures in these areas. We corroborated our enquiries through our review of board minutes and papers provided to the Board, and made inquiries of the in-house legal team and the risk and compliance team to identify if there are matters where there is a risk of breach of such frameworks that could have a material adverse impact on the Company, as well as consideration of the results of our audit procedures across the Company.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management and those charged with governance to understand their assessment of the susceptibility of the accounts to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings We considered the programmes and controls that the Company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from material fraud or error.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved journal entry testing with a focus on unusual transactions, enquiries of legal counsel and enquiries of management. In addition to those set out above, we completed procedures to conclude on the compliance of the disclosures in the Annual Report and Financial Statements with the requirements of the relevant accounting standards and UK legislation.

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.

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.

Tim Helm (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds
Date:

Income statement

for the 52 week period ended 27 August 2022

	Note	**2022** **£000**	**2021** **£000**
Turnover	*3*	237,629	175,659
Cost of sales		(213,700)	(154,893)
Gross Profit		**23,929**	**20,766**
Selling and distribution costs		(11,085)	(9,231)
Administration expenses		(2,964)	(2,452)
Operating profit	*4*	**9,880**	**9,083**
Interest payable and similar charges	*8*	(82)	-
Profit on ordinary activities before tax		**9,798**	**9,083**
Tax charge	*9*	(608)	(2,022)
Profit for the financial period	*19*	**9,190**	**7,061**

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 19.

Statement of comprehensive Income
The reporting entity had 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 27 August 2022

	Note	2022 £000	2022 £000	2021 £000	2021 £000
Fixed assets					
Intangible assets	*10*		620		933
Tangible assets	*11*		10,732		11,282
Right-of-use assets	*12*		633		737
			11,985		12,952
Current assets					
Stocks	*14*	18,385		10,136	
Debtors	*15*	26,880		8,203	
Cash at bank and in hand		404		376	
		45,669		18,715	
Creditors: amounts falling due within one year	*16*	(40,935)		(22,752)	
Net current assets/(liabilities)			4,734		(4,037)
Total assets less current liabilities			16,719		8,915
Creditors: amounts falling due after more than one year	*12*		(332)		(617)
Provisions for liabilities	*17*		(136)		(1,237)
Net assets			16,251		7,061
Capital and reserves					
Called up share capital	*18*		-		-
Profit and loss account			16,251		7,061
Shareholders' funds	*19*		16,251		7,061

These financial statements were approved by the board of directors on 26 May 2023 and were signed on its behalf by:

Sarah Arrowsmith

SCM Arrowsmith
Director
Registered number 12777595

Statement of changes in equity

for the 52 week period ended 27 August 2022

	Note	Share capital	Profit and loss reserve	Total
		£000	£000	£000
Share capital on incorporation	*18*	-	-	-
Profit for the financial period		-	7,061	7,061
As at 28 August 2021		**-**	**7,061**	**7,061**
Profit for the financial period		-	9,190	9,190
As at 27 August 2022		**-**	**16,251**	**16,251**

Notes

(forming part of the financial statements)

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

The financial statements of Allied Mills Limited (the "Company") for the 52 weeks ended 27 August 2022 were authorised for issue by the board of directors on 26 May 2023 and the balance sheet was signed on the board's behalf by SCM Arrowsmith. Allied Mills 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 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 B67of *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*.

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 UK-adopted IFRS. The Company has taken advantage of the disclosure exemptions allowed under this standard.

Transfer of milling operations

In the prior year, trade operations, assets and liabilities of the milling operations of ABF Grain Products Limited (Allied Mills) and British Sugar plc (Allinson's) were transferred to Allied Mills Limited. As part of the transaction the Company elected to account for the transfer as a 'pooling of interests'. As a result, the assets and liabilities of the milling operations transferred to the Company were transferred at their carrying value.

Going concern

As set out in note 21, the smallest group in which the results of the Company are consolidated is that headed by Associated British Foods plc, which confirmed in the Interim Results Announcement dated 23 April 2023, 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 12 months from the date of signing of these financial statements.

After making enquiries and considering 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 twelve months from the date of signing of these financial statements. These considerations included the ABF group's directors' assessment of going concern (as set out in the Interim Results Announcement dated 23 April 2023 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 the end of the 2024 financial year, 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.

Notes *(continued)*

2 Accounting policies *(continued)*

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. There were no judgements and estimates which had a significant effect on amounts recognised in the financial statements:

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.

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) 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.

d) 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

Notes *(continued)*

2 Accounting policies *(continued)*

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.

e) 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.

Amortisation is included within administrative expenses and is calculated so as to write off the original cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Software	-	5 years

f) 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.

g) 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)*

h) 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.

i) 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 standard costing methodology is used, which includes ingredients, production wages and an appropriate proportion of attributable production overheads.

j) 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)*

k) 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.

3 Turnover

The turnover and profit before taxation are attributable to the one principal activity of the Company. A geographical analysis of turnover by destination is given below:

	52 weeks ended 27 August 2022 £000	56 weeks ended 28 August 2021 £000
United Kingdom	237,629	175,659

4 Operating profit

	52 weeks ended 27 August 2022 £000	56 weeks ended 28 August 2021 £000
Operating profit is stated after charging:		
Amount of inventory recognised as an expense	184,266	134,513
Amortisation of intangible assets	303	260
Depreciation of tangible fixed assets	1,368	1,160
Depreciation of right-of-use assets	444	398

Auditor's remuneration for the period was £64k (last year £58k). This cost was borne by ABF Grain Products Limited, the Company's immediate parent.

5 Remuneration of directors

	52 weeks ended 27 August 2022 £000	56 weeks ended 28 August 2021 £000
Directors' emoluments	132	264
Pension scheme contributions	-	-
Long-term incentive plans	-	-
	132	264

Of the three directors, the costs of two were borne by ABF Grain Products Limited, the Company's immediate parent. The third, whose costs are represented above, resigned on April 11th 2022.

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

Notes *(continued)*

6 Staff numbers and costs

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

	Number of employees	
	52 weeks ended 27 August 2022	**56 weeks ended 28 August 2021**
Average number of employees per week	272	230

The aggregate payroll costs of these persons were:

	52 weeks ended 27 August 2022 £000	**56 weeks ended 28 August 2021 £000**
Wages and salaries	10,671	9,070
Social security costs	1,139	1,005
Other pension costs	1,362	1,153
	13,172	11,228

7 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 2020, using the current unit method, and revealed a deficit of £302m. The market value of the Scheme assets was £3,317m, representing 92% of members' accrued benefits after allowing for expected future salary increases. Full IAS 19 disclosures can be found on page 176 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.

8 Interest payable and similar charges

	52 weeks ended 27 August 2022 £000	**56 weeks ended 28 August 2021 £000**
Interest payable on intercompany balances	(82)	-

Notes *(continued)*

9 Taxation

	52 weeks ended 27 August 2022 £000	56 weeks ended 28 August 2021 £000
UK corporation tax		
Current tax on income for the period	1,673	1,773
Adjustment in respect of previous periods	36	-
Total current tax	1,709	1,773
Deferred tax (see Note 17)		
Origination and reversal of timing differences	147	(48)
Effect of change in tax rate	47	297
Adjustment in respect of previous periods	(1,295)	-
Total deferred tax	(1,101)	249
Tax on profit on ordinary activities	608	2,022

Current tax reconciliation

	52 weeks ended 27 August 2022 £000	56 weeks ended 28 August 2021 £000
Profit on ordinary activities before tax	9,798	9,083
Current tax charge at 19%	1,862	1,726
Effect of rate change	47	296
Expenses not deductible for tax purposes	(41)	-
Adjustments to tax charge in respect of previous years	(1,259)	-
Total tax charge	608	2,022
UK corporation tax creditor	(3,482)	(1,773)
Deferred tax liability	(136)	(1,237)
Movement in deferred tax provision		
At beginning of period	(1,237)	-
Charge to income statement for the period	1,101	(249)
Deferred tax transferred in on hive down	-	(988)
At end of period	(136)	(1,237)

Notes *(continued)*

9 Taxation *(continued)*

The UK corporation tax rate of 19% is set to increase to 25% from 1 April 2023. The legislation to effect these changes was enacted before the balance sheet date and the deferred tax has been calculated accordingly.

10 Intangible fixed assets

	Assets under construction £000	Software £000	Total £000
Cost			
At beginning of period	10	2,751	2,761
Transfer between classes	(10)	10	-
Disposals	-	(10)	(10)
At end of period	-	2,751	2,751
Amortisation or impairment			
At beginning of period	-	1,828	1,828
Charge for period	-	303	303
At end of period	-	2,131	2,131
Net book value			
At 27 August 2022	-	**620**	**620**
At 28 August 2021	10	923	933

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	7,425	64,446	571	42	72,484
Additions	-	69	-	749	818
Disposals	-	(703)	-	-	(703)
Transfers	-	180	-	(180)	-
At end of period	7,425	63,992	571	611	72,599
Depreciation and impairment					
At beginning of period	3,677	57,123	402	-	61,202
Depreciation for the period	124	1,200	44	-	1,368
On disposals	-	(703)	-	-	(703)
At end of period	3,801	57,620	446	-	61,867
Net book value					
At 27 August 2022	**3,624**	**6,732**	**125**	**611**	**10,732**
At 28 August 2021	3,748	7,323	169	42	11,282

Notes *(continued)*

12 Leases

Right-of-use assets

	Land and buildings £000	Plant and machinery £000	Total £000
Cost			
At beginning of period	463	1,116	1,579
Additions	-	340	340
Disposals	(340)	(72)	(412)
At end of period	123	1,384	1,507
Depreciation and impairment			
At beginning of period	358	484	842
Depreciation for the period	46	398	444
Disposals	(340)	(72)	(412)
At end of period	64	810	874
Net book value			
At 27 August 2022	**59**	**574**	**633**
At 28 August 2021	105	632	737

Notes *(continued)*

12 Leases *(continued)*

Lease liabilities

	Land and buildings £000	Plant and machinery £000	Total £000
Cost			
At 28 August 2021	103	633	736
Additions	-	340	340
Repayments	(35)	(402)	(437)
At 27 August 2022	**68**	**571**	**639**
Current			307
Non-current			332
			639
At 28 August 2021	103	633	736
Current			119
Non-current			617
			736

Notes *(continued)*

12 Leases *(continued)*

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

	27 August 2022 Total £000	28 August 2021 Total £000
Plant and machinery	37	40

13 Capital commitments

The Company has capital expenditure commitments of £422k (2021: nil) for which no provision has been made in these financial statements.

14 Stocks

	27 August 2022 £000	28 August 2021 £000
Raw materials and consumables	4,351	3,123
Finished goods and goods for resale	14,034	7,013
	18,385	10,136

15 Debtors

	27 August 2022 £000	28 August 2021 £000
Amounts owed by parent undertakings	25,139	6,486
Prepayments and accrued income	203	698
Other debtors	1,205	-
Other taxes and VAT	333	1,019
	26,880	8,203

Amounts owed by parent undertakings of £25,139k (2021: £6,486k) includes a credit of £5,909k (2021: £5,909k) in relation to the hive up of the Milling assets of ABF Grain Products Limited. This balance is repayable on demand and non-interest bearing.

Notes *(continued)*

16 Creditors

Amounts falling due within one year	27 August 2022 £000	28 August 2021 £000
Lease liabilities	307	119
Trade creditors	22,766	12,844
Amounts owed to parent undertakings	11,865	5,296
Amounts owed to group undertakings	64	556
Corporation tax	3,482	1,773
Other taxes and social security	79	80
Other creditors	154	109
Accruals and deferred income	2,218	1,975
	40,935	22,752

Trade creditors are non-interest bearing and are normally settled on average on 37 days terms. Amounts owed to parent undertakings of £11,865k (2021: £5,296k) relate to loans owed to Associated British Foods plc and bear interest at LIBOR + 0.25% set biannually. This balance is repayable on demand. Amounts owed to group undertakings of £64k (2021: £556k) relate to trade with group subsidiaries and are non-interest bearing.

17 Provisions for liabilities

	Deferred Tax 27 August 2022 £000
At beginning of period	1,237
Deferred tax transferred in on hive up	-
Amounts charged to the income statement	(1,101)
At end of period	136

Deferred tax arises on the timing differences between capital allowances and book depreciation.

Notes *(continued)*

18 Called up share capital

	27 August 2022 Number	27 August 2022 £	28 August 2021 Number	28 August 2021 £
Allotted, called up and fully paid				
Ordinary shares of £1 each	**100**	**100**	100	100
		100		100

All of the shares of the Company were issued on incorporation.

19 Reconciliation of movement in shareholder's funds

	52 week period ended 27 August 2022 £000	56 week period ended 28 August 2021 £000
Profit for the financial period	**9,190**	**7,061**
Net increase in shareholder's funds	**9,190**	**7,061**
Opening shareholder's funds on incorporation	**7,061**	**-**
Closing shareholder's funds	**16,251**	**7,061**

Notes *(continued)*

20 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.

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

The ultimate parent company is Wittington Investments Limited, which is incorporated in the United Kingdom and registered in England and Wales.

The largest group of undertaking for which group accounts are drawn up (within which the results of the Company are consolidated) and of which the Company is a member is headed by Wittington Investments Limited. The smallest such group of undertakings is headed by Associated British Foods plc, which is incorporated in the United Kingdom 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, which is the registered office of each of Wittington Investments Limited and Associated British Foods plc. The consolidated accounts of Associated British Foods plc are also available for download on the group's website at www.abf.co.uk.