

AB Agri Limited
Annual report and financial statements
For the 50 week period ended
31st August 2019

Registered no: 00193800



AB Agri Limited

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AB Agri Limited

Strategic report

Business review

AB Agri revenues were marginally below last year due to a challenging market and environmental conditions. Operating profit fell significantly due largely to lower UK feed margins, a smaller sugar beet crop and closure of the Vivergo bioethanol plant.

AB Agri's extensive experience across the farming industry, combined with the greater availability of on-farm data and the use of proprietary technology, continue to be leveraged to provide greater insight into on-farm management. This is aimed at assisting farmers to increase productivity and improve animal nutrition.

Research and development

The Company continued its expenditure on research and development with expenditure during the period of £5,569,000 (2018: £6,326,000).

Risks and uncertainties

Treasury operations and commodity procurement are conducted within a clearly defined framework of board-approved policies and guidelines to manage the Company's financial and commodity risks. Financial risks essentially arise through exposure to foreign currencies, interest rates and counterparty credit. Commodity risks arise from the procurement of raw materials and the exposure to changes in market prices.

Credit risk is the risk that a counterparty will default on its contractual financial obligations resulting in a loss to the Company. Credit risk arises from cash balances, credit exposures to customers including outstanding receivables, derivative financial instruments, and financial guarantees. Credit risk is managed at both a group and company level according to internal guidelines, with businesses responsible for their exposure to customer credit risk.

With regards to Brexit, the business has conducted detailed analysis and continues to actively engage with both the UK Government and our industry bodies to ensure that the full range of opportunities and risks, as they affect us, are recognised. The directors are of the opinion that the business is well placed to mitigate risks, and take any opportunities, that may result when the details of any changes are available.

AB Agri Limited

Strategic report (continued)

Key performance indicators

The key performance indicators for AB Agri Limited are turnover, operating profit before amortisation, return on average capital employed (operating profit divided by average net current assets, PPE and software) and debtor days (trade debtors divided by turnover multiplied by 365). The table below provides a summary of our performance against these key indicators for the past two financial periods. The current financial statement period ending 31st August 2019 is 2 weeks shorter than the previous period and will continue with this year-end in the future.

	50 week period ended 31st August 2019	52 week period ended 15th September 2018	Increase/ (Decrease)
Turnover £000	950,455	957,006	(6,551)
Operating profit before amortisation £000	400	11,175	(10,775)
ROCE	(0.2%)	6.9%	(7.1%)
Debtor days	46	53	(7)

On behalf of the board

DocuSigned by:

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 S M Heath
 Director

Date: 28-05-2020 | 13:46:54 BST

AB Agri Limited

Directors' report

The directors present their Directors' report and the audited financial statements for the 50 week period ended 31st August 2019.

Principal activities

Through a number of business divisions operating right across the supply chain, AB Agri Limited manufactures high performance compound feeds, provides world leading analytical capability, nutritional advice, sustainable business solutions and poultry marketing services for customers. It helps food and drink companies internationally to reduce their environmental footprint by marketing their co-products as animal feed and also supplies premix, enzymes and other technical products to the livestock and pet industries. AB Agri Limited's proposition can influence profitability at every stage of the food supply chain.

Payments to suppliers

The Company has a policy on payment of suppliers set out in its Business Principles which states that the Company settles its bills promptly, being a signatory to the Prompt Payment Code. Further information concerning this Code, and a copy of it, can be found at www.promptpaymentcode.org.uk.

The outstanding trade creditors at the balance sheet date, as a proportion of payments to suppliers during the period, represents 32 days purchases (2018: 31 days).

Dividend

The directors do not recommend the payment of a dividend in respect of the current financial period (2018: £nil).

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 subsidiary, are disclosed on pages 62 to 66 of the 2019 group Annual Report and were updated by the group's interim results announcement dated 21 April 2020, both of which are available at www.abf.co.uk.

COVID-19 and going concern

Since the balance sheet date, the COVID-19 pandemic has spread across the world. This has highlighted the importance of the global food supply chain, in which the company's subsidiaries play 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 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.

AB Agri Limited

Directors' report *(continued)*

Uncertainty as to the length of the pandemic and the related measures to combat it mean that the 2020 full year impact cannot yet be known.

Alongside our customers, suppliers and industry partners, we are constantly monitoring developments regarding the coronavirus/COVID-19 outbreak and continue to follow local government advice relevant to our network of sites. Safeguarding the health and wellbeing of our people, customers and suppliers, and continuing to supply our products and services remains our priority.

We have taken measures to ensure business continuity and mitigate the risk of the virus impacting our supply chains and the customers who rely on us to help them responsibly produce safe and nutritious food. Such planning is helping us support our teams with staffing across our facilities to avoid disruption to production. We are in regular contact with the relevant regulatory bodies for guidance and are participating in industry-wide task force groups, as the agricultural sector comes together to maintain animal health, welfare and food production.

We are confident that everything is being done to guarantee feed safety and adequate stock levels, and we will continue to partner and support our customers during this challenging period.

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 its interim results announcement dated 21 April 2020 and available at www.abf.co.uk 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.

Health, Safety and Environment Reporting

The Company keeps its health, safety and environmental performance and levels of legal compliance under regular review and ensures that its risk management controls are appropriate and effective. The company's board of directors' reviews these at least annually, as does the board of Associated British Foods plc.

AB Agri Limited

Directors' report *(continued)*

Directors and directors' interests

The directors who held office during the period and at the date of this report were:

R C Cloke – resigned on 28/03/2019
A Murphy – resigned on 30/11/2019
R G Cooper
S M Heath
A G Cross – resigned on 14/04/2020
J J Nobre
S Gurvis – appointed 28/03/2019
J K Hoopes – appointed 08/05/2019
P Martel – appointed 08/05/2019

Company secretary

R S Schofield

No director had at any time during the period any material interest in a contract with the company, other than service contracts. At the date of this report all directors benefitted from the group's Directors and Officers Insurance Policy.

Employees

The Company is committed to offering equal opportunities to all persons in their recruitment, training and career development, having regard for their particular aptitudes and abilities. Full and fair consideration is given to applicants with disabilities and every effort is made to give employees who become disabled whilst employed by the Company an opportunity for retraining.

Political and charitable contributions

The Company made no political contributions during the current or preceding financial periods. Donations to UK charities amounted to £26,000 (2018: £11,000).

Disclosure of information to auditor

The directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

AB Agri Limited

Directors' report (continued)

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

On behalf of the board

Registered Office:
Weston Centre
10 Grosvenor Street
London
United Kingdom
W1K 4QY

DocuSigned by:

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S M Heath
Director

Date: 28-05-2020 | 13:46:54 BST

AB Agri Limited

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

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of AB Agri Limited

Opinion

We have audited the financial statements for the 50 weeks ended 31st August 2019 which comprise the Income statement, the Balance sheet, the Statement of comprehensive income, 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 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 31st August 2019 and of its loss for the 50 weeks 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 – disclosure of effects of COVID-19

We draw attention to notes 2 and 25 of the financial, which describe the impact on the Company of COVID-19 in its operations and assessment of going concern. 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.

Independent auditor's report to the members of AB Agri Limited (continued)

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.

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.

Independent auditor's report to the members of AB Agri Limited (continued)

Responsibilities of directors

As explained more fully in Statement of directors' responsibilities set out on page 8, 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.

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.

Ernst & Young LLP

Anup Sodhi (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Luton
Date: 03 June 2020

AB Agri Limited

Income statement

for the 50 week period ended 31st August 2019

	Note	50 week period ended 31 August 2019 £000	52 week period ended 15 September 2018 £000
Turnover	3	950,455	957,006
Cost of sales		(843,268)	(840,835)
Gross profit		107,187	116,171
Distribution costs		(58,469)	(61,959)
Administrative expenses		(48,318)	(43,037)
Amortisation	9	(748)	(637)
Operating (loss)/profit		(348)	10,538
Profit on disposal of fixed assets		461	50
Loss on business investment		(2,721)	-
Interest receivable and similar income	6	54	32
Interest payable and similar charges	7	(517)	(381)
(Loss)/profit on ordinary activities before taxation	4	(3,071)	10,239
Tax on (loss)/profit on ordinary activities	8	307	(752)
(Loss)/profit for the financial period		(2,764)	9,487

All operations were continuing in the current and prior period.

The notes on pages 16 to 37 form part of these financial statements.

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Statement of comprehensive income for the 50 week period ended 31st August 2019

	50 week period ended 31 August 2019 £000	52 week period ended 15 September 2018 £000
(Loss)/Profit for the financial period	(2,764)	9,487
Movement in cash flow hedging position	(61)	43
Total comprehensive (loss)/income for the financial period	(2,825)	9,530

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Statement of changes in equity for the 50 week period ended 31 August 2019

	Share capital £000	Capital contribution £000	Retained earnings £000	Hedging reserve £000	Total £000
At 16 September 2017	102,000	5,828	25,012	10	132,850
Profit for the period	-	-	9,487	-	9,487
Other hedge movement	-	-	-	43	43
Total comprehensive income	-	-	9,487	43	9,530
Share-based payment expense for the period	-	(206)	-	-	(206)
At 15 September 2018	102,000	5,622	34,499	53	142,174
At 16 September 2018	102,000	5,622	34,499	53	142,174
Loss for the period	-	-	(2,764)	-	(2,764)
Other hedge movement	-	-	-	(61)	(61)
Total comprehensive income	-	-	(2,764)	(61)	(2,825)
Share-based payment credit for the period	-	251	-	-	251
At 31 August 2019	102,000	5,873	31,735	(8)	139,600

The hedging reserve comprises all changes in the value of derivatives to the extent that they are effective cash flow hedges, net of amounts recycled from the hedging reserve on occurrence of the hedged transaction or when the hedged transaction is no longer expected to occur.

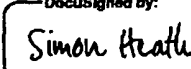
The capital contribution balance is the share-based payment reserve.

AB Agri Limited

Balance sheet at 31 August 2019

	Note	31 August 2019		15 September 2018	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	9		16,196		15,421
Tangible assets	10		68,733		69,234
Investments	11		19,289		22,470
			<hr/>		<hr/>
			104,218		107,125
Current assets					
Stocks	13	20,533		22,705	
Debtors	14	154,041		170,642	
Cash at bank and in hand		2,108		2,262	
		<hr/>		<hr/>	
		176,682		195,609	
Creditors - amounts falling due within one year	15	(99,064)		(115,968)	
		<hr/>		<hr/>	
Net current assets			77,618		79,641
			<hr/>		<hr/>
Total assets less current liabilities			181,836		186,766
Creditors - amounts falling due after one year	16	(38,907)		(41,118)	
Provision for liabilities and charges	17	(3,329)		(3,474)	
		<hr/>		<hr/>	
Net assets			139,600		142,174
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	18	102,000		102,000	
Capital contribution reserve		5,873		5,622	
Profit and loss account		31,735		34,499	
Hedging reserve		(8)		53	
		<hr/>		<hr/>	
Shareholders' funds			139,600		142,174
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 28th May 2020 and were signed on its behalf by:

DocuSigned by:

 Simon Heath
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 Director

Company registered number: 00193800

The notes on pages 16 to 37 form part of these financial statements.

AB Agri Limited

Notes

(forming part of the financial statements)

1 Authorisation of financial statements

The financial statements of AB Agri Limited (the "Company") for the period ended 31 August 2019 were authorised for issue by the board of directors on 28th May 2020 and the balance sheet was signed on the board's behalf by S M Heath. AB Agri Limited is a private company limited by shares and is incorporated and domiciled in England and Wales. Its registered office is Weston Centre, 10 Grosvenor Street, London, W1K 4QY.

2 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

The financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements as it is a wholly owned subsidiary of Associated British Foods plc. These financial statements present information about the Company as an individual undertaking and not about its group.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- a) the requirements of IFRS 2 *Share-based Payment* because the share-based payment arrangement concerns the instruments of another group entity;
- b) the requirements of IFRS 7 *Financial Instruments: Disclosures*;
- c) the requirement of IAS 1 *Presentation of Financial Statements* to present comparative information of IAS 1, IAS 16 and IAS 38;
- d) the requirements of IAS 7 *Statement of Cash Flows*; and
- e) the requirements of paragraph 17 of IAS 24 *Related Party Disclosures*.

COVID-19 and 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 interim results announcement dated 21 April 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.

Further details of the impact of COVID-19 on the Company and on the directors' assessment of going concern are included in the "COVID-19 and going concern" section of the Directors' report and in the post-balance sheet events note.

AB Agri Limited

Notes (continued)

2 Accounting policies (continued)

Fixed assets and depreciation

Depreciation is provided on the original cost of assets and is calculated on a straight-line basis at rates sufficient to reduce them to their estimated residual value. No depreciation is provided on freehold land. Assets in the course of construction are not depreciated until the asset is ready for use. The anticipated useful life of other assets is generally deemed to be not longer than:

Freehold buildings	50 years
Leasehold	1 - 50 years
Plant, machinery, fixtures and fittings	5 - 12 years
Cars	5 years

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

The Company recognises revenue at the point of despatch of goods and for services when they have been provided.

Leases

The Company enters into operating leases whereby substantially all the risks and rewards of ownership of an asset remain with the lessor. Rental payments on operating leases are charged against profits on a straight-line basis over the life of the lease.

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors.

Research and development

Expenditure on research and development is written off to the profit and loss account in the period in which it is incurred.

Stocks

Stocks 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 manufactured goods the term 'cost' includes raw materials, production wages, and production overheads.

AB Agri Limited

Notes *(continued)*

2 Accounting policies *(continued)*

Trade and other receivables

Trade and other receivables are recorded initially at fair value and subsequently measured at amortised cost. This generally results in their recognition at nominal value less an allowance for any doubtful debts. The allowance for doubtful debts was recognised under an "incurred loss" model until 15th September 2018 and therefore it was dependent upon the existence of an impairment event. From 16th September, the allowance for doubtful debts is recognised based on management's expectation of losses without regard to whether an impairment trigger happened or not (an "expected credit loss" model).

Trade Payables

Trade payables are recorded initially at fair value and subsequently measured at amortised cost. Generally, this results in their recognition at their nominal value.

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.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling using the rates of exchange ruling at the balance sheet date and the gains or losses on translation are included in the income statement.

AB Agri Limited

Notes (continued)

2 Accounting policies (continued)

Investments

Investments are stated at cost less any applicable provision for impairment.

Retirement benefits

The Company is a member of the Associated British Foods Pension Scheme which operates both a defined contribution and a defined benefit pension scheme. Contributions to the defined contribution scheme are charged to the profit and loss account as they become payable. The defined benefit scheme is a multi-employer scheme and the Company is unable to identify its share of underlying assets and liabilities on a consistent and reasonable basis. Contributions to the defined benefit scheme are therefore accounted for as if they were contributions to a defined contribution scheme.

Share-based payments

The Associated British Foods plc group operates a share incentive plan which allows employees to receive allocations of shares subject to the attainment of certain financial performance criteria, typically over 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 reserves as a capital contribution. The fair value is measured at grant date and charged to the profit and loss account 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.

Intangible assets

Business combinations are accounted for using the acquisition method. Acquisition costs incurred are expensed and included in administrative expenses.

Purchased goodwill arising on business combinations in respect of acquisitions before 1st January 1998 was written off to reserves in the year of acquisition. When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal.

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Notes (continued)

2 Accounting policies (continued)

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions since 1st January 1998 is capitalised.

The Companies Act 2006 requires goodwill to be amortised on a systematic basis over its useful economic life. Under FRS 101 goodwill is not amortised, but is instead reviewed for impairment on an annual basis or whenever there are indicators of impairment. The Company is therefore invoking a 'true and fair view override' to overcome the requirement to amortise goodwill in the Companies Act 2006. Had the Company amortised goodwill, a period of three years would have been chosen as its useful life from the date of transition. The loss for the year would have been no different as the goodwill would already have been fully amortised.

On the subsequent disposal or termination of a business acquired since 1 January 1998, the profit or loss on disposal or termination is calculated after charging / (crediting) the unimpaired amount of any related goodwill.

Internally generated intangible assets are not capitalised, and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

New accounting policies

The following new accounting standards and amendments were adopted during the year and had no significant impact to the current or prior years:

- IFRS 9 *Financial Instruments: Classification and Measurement*
- IFRS 15 *Revenue from Contracts with Customers*
- Clarifications to IFRS 15 *Revenue from Contracts with Customers*
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*
- IFRIC 23 *Uncertainty over Income Tax Treatments* effective 2020 financial year (
- Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions*
- Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
- Annual improvements to IFRS Standards 2014-2016

The two most significant of these standards are IFRS 9 and IFRS 15, further details of which are set out below.

IFRS 9 *Financial Instruments*

IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement*. It includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting.

Notes (continued)

2 Accounting policies (continued)

The standard introduces changes to three key areas:

- new requirements for the classification and measurement of financial instruments;
- a new impairment model based on expected credit losses for recognising provisions (compared to IAS 39, which used an incurred loss model); and
- simplified hedge accounting through closer alignment with an entity's risk management methodology.

An impact assessment has been carried out at the level of both this and the parent company. The conclusion of these impact assessments was that the adoption of IFRS 9 will not have a significant impact on the Company's results or financial position. The standard has been adopted without restating comparative information.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a principles-based approach to recognising revenue only when performance obligations are satisfied and control of the related goods or services is transferred. It addresses items such as the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 replaces *IAS 18 and other related requirements*.

IFRS 15 applies a five-step approach to the timing of revenue recognition and applies to all contracts with customers except those in the scope of other standards. The five-steps are summarised as follows, identify the contract(s) with a customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contract; recognise revenue when (or as) the entity satisfies a performance obligation.

The company's revenue recognition processes are generally straightforward, with recognition of revenue at the point of sale, with little significant judgement required in determining the timing of transfer of control.

An impact assessment has been carried out at the level of both this and the parent company. The conclusion of these impact assessments was that the adoption of IFRS 15 will not have a significant impact on the company's results or financial position. The standard has been adopted without restating comparative information and no cumulative adjustment to recognise the impact of applying IFRS 15 as at 31 August 2019 was required.

The Company is assessing the impact of the following standards, interpretations and amendments that are not yet effective. Where already endorsed by the EU, these changes will be adopted on the effective dates noted. Where not yet endorsed by the EU, the adoption date is less certain:

Notes (continued)

2 Accounting policies (continued)

- IFRS 16 Leases Effective 2020 Financial year
- IFRS 17 Insurance Contracts effective 2022 financial year (not yet endorsed by the EU)
- IFRIC 23 Uncertainty over Income Tax Treatments effective 2020 financial year
- Amendments to IFRS 3 Definition of a Business effective 2021 financial year (not yet endorsed by the EU)
- Amendments to IFRS 9 Prepayment Features with Negative Compensation effective 2020 financial year
- Amendments to IAS 1 Presentation of Financial Statements effective 2021 financial year (not yet endorsed by the EU)
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors effective 2021 financial year (not yet endorsed by the EU)
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement effective 2020 financial year
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures effective 2020 financial year
- Amendments to References to the Conceptual Framework in IFRS Standards effective 2021 financial year (not yet endorsed by the EU)
- Annual improvements to IFRS Standards 2015-2017 effective 2020 financial year

The new standard with the most significant effect on the company's financial statements is IFRS 16, further details of which are set out below. The impact of the other standards effective in 2020 and beyond have not yet been fully assessed.

IFRS 16 Leases

IFRS 16 introduces a new model for the identification of leases and accounting for lessors and lessees. It replaces IAS 17 Leases and will be adopted on 1st September 2019 and applied for the first time in the 2020 financial year.

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.

An impact assessment made during the year identified that most existing operating lease arrangements meet the revised definition of a lease. The modified retrospective approach, where the cumulative effect of initial application is recognised at the date of initial application without restating prior periods, will be adopted by the company in the 2020 financial year.

AB Agri Limited

Notes (continued)

3 Turnover

In the opinion of the directors, the Company operates in only one business segment, being the manufacture, purchase and sale of agricultural products. Materially all of the Company's turnover and results arise from trade within the European Union, principally the United Kingdom. Materially all of the Company's net assets are located in the United Kingdom.

4 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	50 week period ended 31 August 2019 £000	52 week period ended 15 September 2018 £000
Depreciation of tangible fixed assets (Note 10)	8,608	8,306
Amortisation (Note 9)	748	637
Hire of plant and machinery	512	536
- rentals payable under operating leases		
Land and building payments under operating leases	1,054	918
Research and development	5,569	6,326
Auditor's remuneration - audit fees	235	226
- tax and other services	-	2
	<hr/> <hr/>	<hr/> <hr/>

AB Agri Limited

Notes (continued)

5 Directors and employees

The average weekly number of employees, including directors, of the Company during the period was 1,291 (2018: 1,217). The aggregate payroll costs of these persons were as follows:

	50 week period ended 31 August 2019 £000	52 week period ended 15 September 2018 £000
Wages and salaries	60,095	56,274
Amounts receivable under long-term incentive plans	251	(206)
Social security costs	7,031	6,645
Pension costs	5,692	5,610
	73,069	68,323

	50 week period ended 31 August 2019 £000	52 week period ended 15 September 2018 £000
Directors' emoluments	3,343	4,070
Pension costs	22	50
Amounts receivable under long-term incentive plans	251	(206)
	3,616	3,914

The aggregate emoluments of the highest paid director from emoluments and long-term incentive plans were £911,000 (2018: £869,000). This figure includes Company pension contributions of £nil (2018: £29,000) that were made on their behalf.

AB Agri Limited

Notes (continued)

5 Directors and employees (continued)

	50 week period ended 31 August 2019 Number	52 week period ended 15 September 2018 Number
Amounts were paid to the following number of directors under long-term incentive plans	2	2
	<u>2</u>	<u>2</u>

6 Interest receivable and similar income

	50 week period ended 31 August 2019 £000	52 week period ended 15 September 2018 £000
Interest receivable on loans to fellow group undertakings	54	32
	<u>54</u>	<u>32</u>

7 Interest payable and similar charges

	50 week period ended 31 August 2019 £000	52 week period ended 15 September 2018 £000
Other interest payable	517	381
	<u>517</u>	<u>381</u>

AB Agri Limited

Notes (continued)

8 Tax on loss on ordinary activities

Analysis of tax (credit)/charge

	50 week period ended 31 August 2019 £000	52 week period ended 15 September 2018 £000
<i>UK corporation tax</i>		
Current tax on income for the period	(124)	1,866
Adjustment in respect of prior periods	(65)	(463)
	<hr/>	<hr/>
Total current tax	(189)	1,403
Overseas Tax	15	-
	<hr/>	<hr/>
<i>Deferred tax (see note 17)</i>		
Reversal of timing differences	(83)	145
Effect of change in tax rate	9	(20)
Adjustment in respect of prior periods	(59)	(776)
	<hr/>	<hr/>
Total deferred tax	(133)	(651)
	<hr/>	<hr/>
Tax on loss on ordinary activities	(307)	752
	<hr/>	<hr/>

The adjustments in respect of prior periods principally relate to adjustments to estimates of expenses not deductible for tax purposes and depreciation in excess of capital allowances.

AB Agri Limited

Notes (continued)

8 Tax on loss on ordinary activities (continued)

Factors affecting the tax (credit)/charge for the current period

The current tax charge for the period is lower than (2018: lower than) the standard rate of corporation tax in the UK 19.00% (2018: 19.00%).

	50 week period ended 31 August 2019 £000	52 week period ended 15 September 2018 £000
Current tax reconciliation (Loss)/profit on ordinary activities before taxation	(3,071)	10,239
Current tax at 19.00% (2018: 19.00%)	(584)	1,945
Effects of:		
Rate change	9	(15)
Expenses not deductible	377	60
Overseas withholding tax not recoverable	15	(13)
Adjustment to tax charge in respect of prior periods	(124)	(1,226)
Total tax charge / (credit) - (see above)	(307)	752

Factors affecting future tax charges

The UK Corporation tax rate of 19% (2018: 19%) will be reduced to 17% effective from 1 April 2020. The legislation to effect these rate changes had been enacted before the balance sheet date. Accordingly, UK deferred tax has been calculated using these rates as appropriate.

Post balance sheet event

In March 2020 the UK government substantively enacted legislation to maintain the corporation tax at 19%, the reduction to 17% will no longer apply. We do not expect there to be a material impact of this legislative change.

AB Agri Limited

Notes (continued)

9 Intangible assets

	Goodwill	Intangible assets	Total
	£000	£000	£000
Cost			
At beginning of period	10,617	16,891	27,508
Additions	-	1,523	1,523
	<hr/>	<hr/>	<hr/>
At end of period	10,617	18,414	29,031
	<hr/>	<hr/>	<hr/>
Amortisation			
At beginning of period	-	12,087	12,087
Charge for the period	-	748	748
	<hr/>	<hr/>	<hr/>
At end of period	-	12,835	12,835
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 August 2019	10,617	5,579	16,196
	<hr/>	<hr/>	<hr/>
At 15 September 2018	10,617	4,804	15,421
	<hr/>	<hr/>	<hr/>

The directors consider each acquisition separately for the purpose of determining the amortisation period of any intangible assets that arise.

The intangible assets comprise customer relationships acquired (amortised over 3 years) and various capitalised software purchases (amortised over 5 years). All additions relate to software purchases.

AB Agri Limited

Notes (continued)

10 Tangible assets

	Land and freehold buildings	Long leasehold buildings	Plant and machinery, fixtures and fittings, cars	Assets in the course of construction	Total
	£000	£000	£000	£000	£000
<i>Cost</i>					
At beginning of period	19,554	550	120,823	12,371	153,298
Additions	10	35	6,033	2,660	8,738
Disposals	-	-	(3,900)	-	(3,900)
Transfers	-	1,146	12,612	(13,758)	-
At end of period	19,564	1,731	135,568	1,273	158,136
<i>Depreciation</i>					
At beginning of period	9,739	548	73,777	-	84,064
Charge for the period	458	21	8,129	-	8,608
Disposals	-	-	(3,269)	-	(3,269)
At end of period	10,197	569	78,637	-	89,403
<i>Net book value</i>					
At 31 August 2019	9,367	1,162	56,931	1,273	68,733
At 15 September 2018	9,815	2	47,046	12,371	69,234

AB Agri Limited

Notes (continued)

11 Investments

	Shares in group undertakings £000
Cost	
At beginning of period	22,470
Write down	(3,181)
	<hr/>
At end of period	19,289
	<hr/>

During the period the Company wrote down the value of the investment held in Spectrum Aviation Limited, an aerial survey and informatics company. In line with this all outstanding balances have been written off and expensed accordingly. The results of Spectrum Aviation Limited are maintained within separate statutory accounts.

The Company has a 100% interest in the following subsidiary companies, all of which are registered in England and Wales to the same address as AB Agri Limited:

Subsidiary undertakings	Principal activity
ABN (Overseas) Limited	Investment company
Roses Nutrition Limited	Non-trading
LeafTC Limited	Non-trading
ABN (Scotland) Limited	Non-trading
ABNA Limited	Non-trading
Nutrition Trading (International) Limited	Non-trading
Agrilines Limited	Non-trading
Premier Nutrition Products Limited	Non-trading
Banbury Agriculture Limited	Non-trading
Nutrition Trading Limited	Non-trading
Spectrum Aviation Limited	Ariel survey and informatics company

In the opinion of the directors, the investment in each of the Company's subsidiary undertakings is worth at least the amount at which it is stated in the balance sheet.

12 Capital commitments

Capital commitments at the end of the financial period, for which no provision has been made, amounted to £1,178,000 (2018: £779,000).

AB Agri Limited

Notes (continued)

13 Stocks

	31 August 2019 £000	15 September 2018 £000
Raw materials and consumables	18,224	17,115
Finished goods and goods for resale	2,309	5,590
	<u>20,533</u>	<u>22,705</u>

14 Debtors

	31 August 2019 £000	15 September 2018 £000
Trade debtors	120,779	139,741
Amounts owed by group undertakings	12,287	11,659
Other debtors	102	163
Prepayments and accrued income	20,873	19,079
	<u>154,041</u>	<u>170,642</u>

Amounts owed by group undertakings are short term in nature and are held on normal trading terms.

15 Creditors – amounts falling due within one year

	31 August 2019 £000	15 September 2018 £000
Trade creditors	74,087	71,791
Amounts owed to group undertakings	2,629	13,872
Corporation tax	875	424
Other creditors	130	118
Accruals and deferred income	21,343	29,763
	<u>99,064</u>	<u>115,968</u>

Amounts owed to group undertakings are short term in nature and are held on normal trading terms.

AB Agri Limited

Notes (continued)

16 Creditors – amounts falling due after one year

	31 August 2019 £000	15 September 2018 £000
Amounts owed to group undertakings	38,907	41,118

17 Provision for liabilities and charges

	Deferred tax £000
At 15 September 2018	(3,474)
Charge to the profit and loss account	132
Charge relating to other comprehensive loss	13
At 31 August 2019	(3,329)

	31 August 2019 £000	15 September 2018 £000
Deferred taxation		
Analysis by component:		
Accelerated capital allowances	(3,083)	(3,200)
Deferred tax on hedging reserve	2	(11)
Other short-term timing differences	(249)	(263)
	(3,329)	(3,474)

18 Called up share capital

	31 August 2019 £000	15 September 2018 £000
Issued and fully paid		
102,000,000 ordinary shares of £1 each (2018:102,000,000)	102,000	102,000

AB Agri Limited

Notes *(continued)*

19 Share-based payments

Associated British Foods Long-Term Incentive Plan ('the LTIP')

The LTIP was approved and adopted by Associated British Foods plc at the annual general meeting held on 6 December 2013. It takes the form of conditional allocations of shares which are released if, and to the extent that, performance targets are satisfied, typically over a three-year performance period.

The Company recognised a total equity-settled share-based payment expense of £251,000 during the period (2018: credit of £206,000).

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 Associated British Foods plc, 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

AB Agri Limited

Notes (continued)

20 Contingent liabilities

The Company, together with British Sugar plc and certain other subsidiary undertakings of Associated British Foods plc, is party to a set-off arrangement in respect of its bank accounts with certain of the group's bankers.

In the normal course of business, the Company enters into forward commodity purchase and sales agreements.

21 Contingencies

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other group companies, these are considered to be insurance arrangements and are accounted for as such in accordance with IFRS 4. In this respect, the guarantee contract is treated as a contingent liability until such time as it becomes probable that the Company issuing the guarantee will be required to make a payment under the guarantee.

As at 31 August 2019, the Company has not provided any guarantees in the ordinary course of business with previous guarantee moving from AB Agri Ltd to ABF Holdings during the year. (2018: £50,000,000).

22 Commitments

The group acts as a lessee for land and buildings, and other assets, under operating leases.

Under the terms of the lease agreements, no contingent rents are payable.

The future minimum lease payments under operating leases are as follows:

	31 August 2019		15 September 2018	
	Land and buildings £000	Other assets £000	Land and buildings £000	Other Assets £000
Operating leases which expire:				
Within one year	1,072	374	924	611
Between two and five years	3,878	609	2,948	671
After five years	4,970	-	4,626	-
	9,920	983	8,498	1,282

AB Agri Limited

Notes (continued)

23 Pension costs

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, as permitted by IAS 19 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 within the financial statements of Associated British Foods plc, which may be obtained from Associated British Foods plc, 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.

The combined contribution to the defined benefit and defined contribution sections of the Associated British Foods Pension Scheme for the year was £5,692,000 (2018: £5,610,000).

24 Related party transactions

Transactions with the group's related parties, as defined by IAS 24, are summarised below:

	2019	2018
	£000	£000
Sales (on normal trading terms)	153	487
Purchases (on normal trading terms)	219,004	184,682
Amounts due from related parties (on normal trading terms)	-	365
Amounts due to related parties (on normal trading terms)	19,358	21,820

Related party transactions are with Frontier Agriculture Limited - a 50:50 joint venture between A.B.F. Holdings Limited and Cargill plc.

Notes (continued)

25 Post-balance sheet events

Since the balance sheet date, the COVID-19 pandemic has spread across the world. This is considered a non-adjusting post-balance sheet event and the impact of COVID-19 will be reported in the 2020 financial statements.

This has highlighted the importance of the UK 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 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 2020 full year impact cannot yet be known.

Alongside our customers, suppliers and industry partners, we are constantly monitoring developments regarding the coronavirus/COVID-19 outbreak and continue to follow local government advice relevant to our network of sites. Safeguarding the health and wellbeing of our people, customers and suppliers, and continuing to supply our products and services remains our priority.

We have taken measures to ensure business continuity and mitigate the risk of the virus impacting our supply chains and the customers who rely on us to help them responsibly produce safe and nutritious food. Such planning is helping us support our teams with staffing across our facilities to avoid disruption to production. We are in regular contact with the relevant regulatory bodies for guidance and are participating in industry-wide task force groups, as the agricultural sector comes together to maintain animal health, welfare and food production.

We are confident that everything is being done to guarantee feed safety and adequate stock levels, and we will continue to partner and support our customers during this challenging period.

It is impossible to predict the full financial impact of the COVID-19 situation on the Company. Any impact on the future performance and position of the Company, including any considerations of impairment or recoverability of receivables will be included in the 2020/21 results.

AB Agri Limited

Notes (continued)

26 Holding company

The immediate holding company is A.B.F. Holdings Limited, a company registered in England and Wales. The ultimate holding company 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 headed by Wittington Investments Limited. The smallest group in which they are consolidated is 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.