

AB Agri Limited
Annual report and financial statements
For the year ended
31st August 2020

Registered no: 00193800



AB Agri Limited

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AB Agri Limited

Strategic report

Business review

AB Agri revenues were below last year due to a challenging market and environmental conditions. Operating losses grew significantly due largely to the impact of the COVID-19 pandemic on sales volumes and margins. For more details see Directors Report.

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 £5,425,000 (2019: £5,569,000).

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, generated by the changes and continuously evaluates their complete impact.

AB Agri Limited

Strategic report *(continued)*

Engaging with our stakeholders – Section 172 Statement

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

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

Stakeholders and engagement

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

- Employees
- Suppliers
- Customers
- Communities and Environment
- Governments
- Shareholders
- ABF plc and other ABF group companies

Employees

The Company employs 1,328 people. Our people are central to the Company's success and employee engagement is crucial to embedding our Company culture and values, and to helping our people see how their efforts contribute to their Company's strategic objectives. During the reporting period, the Company undertook regular engagement surveys, provided leadership updates, provided regular internal communications (such as emails, intranet or magazines), Health & Safety programmes, Town halls and training. The directors review the outcome of these communications 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.

AB Agri Limited

Strategic report *(continued)*

Customers

As well as providing products/services that are great value for money, the physical health and safety of our customers is a 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 gas emissions, manage waste, improve water management, using environment-friendly packaging and reducing or eliminating use of single-use plastic where possible.

Governments

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

Shareholders

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

AB Agri Limited

Strategic report (continued)

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.

COVID-19 impact

The company effectively managed the initial impact of the COVID -19 pandemic by shifting production focus towards key products while ensuring the operational set up exceed government disease prevention guidelines.

Protecting our workforce.

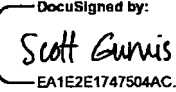
Throughout the year the company focused on health and safety and actively engaged with employees to aid in the decision-making process to ensure satisfactory outcomes were reached regarding effective ways of working.

Key performance indicators

The key performance indicators for AB Agri Limited are turnover, operating profit/loss 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.

	Year ended 31 st August 2020	50 week period ended 31 st August 2019	Increase/ (Decrease)
Turnover £000	866,383	950,455	(64,072)
Operating loss before amortisation £000	(3,731)	400	(4,131)
ROCE	(3.7%)	(0.2%)	(3.5%)
Debtor days	49	46	3

On behalf of the board

DocuSigned by:

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 S Gurvis
 Director

Date: 24-05-2021 | 12:08:31 BST

AB Agri Limited

Directors' report

The directors present their Directors' report and the audited financial statements for the year ended 31st August 2020.

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.

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 31 days purchases (2019: 32 days).

Dividend

The directors do not recommend the payment of a dividend in respect of the current financial period (2019: £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 wholly owned subsidiary, are disclosed on pages 84 to 90 of the 2020 Annual Report, which is available at www.abf.co.uk. This is supplemented by the section on principal risks and uncertainties in the Interim Results Announcement of Associated British Foods plc dated 20 April 2021.

COVID-19

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

AB Agri Limited

Directors' report *(continued)*

COVID-19 (continued)

The COVID-19 pandemic has, at the time of approving these financial statements, had an adverse impact on the Company. The demand for retail food staples has increased significantly as consumers stockpile. The repeated closure of pubs and restaurants has led to a reduced demand for foodservice supply, offset by an increased demand for home cooking options. Our supply chain remains strong and we are working closely with retailers to ensure good supplies of products.

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

Going concern

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

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:

I J Wellock – appointed 16/07/2020
J I F Llarena – resigned 11/01/2021
A Murphy – resigned on 30/11/2019
R G Cooper – resigned on 11/01/2021
S M Heath
A G Cross – resigned on 14/04/2020
J J Nobre
S Gurvis
J K Hoopes
P Martel

Company secretary

R S Schofield – resigned 11/01/2021
R Cahill – appointed 11/01/2021

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 £48,000 (2019: £26,000).

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)

Streamlined Energy and Carbon Reporting

In compliance with UK reporting requirements (Streamlined Energy and Carbon Reporting), we provide our UK energy and greenhouse emissions data in the table below. The period for which the information is reported (namely 1 August 2019 to 31 July 2020) is different from the period in respect of which the directors' report is prepared as the information for the period 1 August 2019 to 31 July 2020 has been externally assured.

The principal energy efficiency measures to reduce our carbon emissions this year include monitoring and managing our site-level energy efficiency targets such as kWh per tonne of product split by energy type and our transport litres per km. There have been machinery changes including boiler replacements and electrical panel upgrades with additional efficiencies across the mills to manage energy use. We have invested in our transport fleet replacing over 70% of our vehicles which has resulted in an improvement of 6.04% litres per km.

In addition, our site in South Milford, North Yorkshire has an anaerobic digester plant designed to take 60,000T of blended food and green waste per annum. The site is producing the equivalent of over 70% of the gas usage for our UK operations, replacing the use of fossil fuels. It is also a gas to grid plant, enabling methane to be injected directly into the gas network for maximum carbon efficiency.

All of AB Agri's UK operational sites use management systems accredited to ISO50001 (energy management) and ISO14001 (environmental management).

Engagement with employees

Details of how the directors have engaged with employees and how the directors have had regard to employee interests, and the effect of that regard including on the principal decisions taken by the Company are set out on page 6.

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

See page 6 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 2020

Scope 1 emissions	45,613 tCO ₂ e
Scope 2 emissions	15,088 tCO ₂ e
Energy use	183,932,182 kWh
Emissions intensity (scopes 1 and 2 emissions)	98.30 tonnes of CO ₂ e per £1m of revenue.

AB Agri Limited

Directors' report (continued)

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

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:

EA1E2E1747504AC...

S Gurvis
Director

Date: 24-05-2021 | 12:08:31 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 of AB Agri Limited for the year ended 31 August 2020 which comprise Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes 1 to 25, 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 31 August 2020 and of its loss for the year 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 note 2 of the financial statements, which describes the financial and operational consequences the Company faces as a result of COVID-19. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of 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 set out on pages 2 to 10, 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 the directors' responsibilities statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

24/5/21

AB Agri Limited

Income statement for the year ended 31st August 2020

	Note	Year ended 31 August 2020 £000	50 week period ended 31 August 2019 £000
Turnover	3	866,383	950,455
Cost of sales		(774,008)	(843,268)
Gross profit		92,375	107,187
Distribution costs		(57,702)	(58,469)
Administrative expenses		(38,404)	(48,318)
Amortisation	9	(978)	(748)
Operating loss		(4,709)	(348)
Profit on disposal of fixed assets		769	461
Profit/(Loss) on business investment		175	(2,721)
Interest receivable and similar income	6	39	54
Interest payable and similar charges	7	(667)	(517)
Loss on ordinary activities before taxation	4	(4,393)	(3,071)
Tax on loss on ordinary activities	8	(1,609)	307
Loss for the financial period		(6,002)	(2,764)

All operations were continuing in the current and prior period.

The notes on pages 19 to 45 form part of these financial statements.

AB Agri Limited

Statement of comprehensive income for the year ended 31st August 2020

	Year ended 31 August 2020 £000	50 week period ended 31 August 2019 £000
Loss for the financial period	(6,002)	(2,764)
Movement in cash flow hedging position	(162)	(61)
Total comprehensive loss for the financial period	(6,164)	(2,825)

AB Agri Limited

Statement of changes in equity for the year ended 31st August 2020

	Share capital £000	Capital contribution £000	Retained earnings £000	Hedging reserve £000	Total £000
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 loss	-	-	(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
At 1 September 2019	102,000	5,873	31,735	(8)	139,600
Loss for the period	-	-	(6,002)	-	(6,002)
IFRS 16 adjustment	-	-	(141)	-	(141)
Other hedge movement	-	-	-	(162)	(162)
Total comprehensive loss	-	-	(6,143)	(162)	(5,305)
Share-based payment expense for the period	-	601	-	-	601
At 31 August 2020	102,000	6,474	25,592	(170)	133,896

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 31st August 2020

	Note	31 August 2020		31 August 2019	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	9		17,794		16,196
Right-of-use assets	10		9,161		-
Tangible assets	11		70,805		68,733
Investments	12		25,325		19,289
			<u>123,085</u>		<u>104,218</u>
Current assets					
Stocks	14	20,978		20,533	
Debtors	15	138,478		154,041	
Cash at bank and in hand		669		2,108	
		<u>160,125</u>		<u>176,682</u>	
Current liabilities					
Creditors - due within one year	16	(93,140)		(99,064)	
Lease Liability	10	(1,503)		-	
		<u></u>		<u></u>	
Net current assets			65,482		77,618
Total assets less current liabilities			188,567		181,836
Creditors - due after one year	17	(43,437)		(38,907)	
Lease liabilities	10	(7,777)		-	
Provision for liabilities and charges	18	(3,457)		(3,329)	
		<u></u>		<u></u>	
Net assets			133,896		139,600
Capital and reserves					
Called up share capital	19	102,000		102,000	
Capital contribution reserve		6,474		5,873	
Reserves transfer		(141)		-	
Profit and loss account		25,733		31,735	
Hedging reserve		(170)		(8)	
		<u>133,896</u>		<u>139,600</u>	
Shareholders' funds			133,896		139,600

These financial statements were approved by the board of directors on 21st May 2021 and were signed on its behalf by:

DocuSigned by:

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S Gurvis
 Director

Company registered number: 00193800

The notes on pages 19 to 45 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 31st August 2020 were authorised for issue by the board of directors on 21st May 2021 and the balance sheet was signed on the board's behalf by S Gurvis. 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

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

The COVID-19 pandemic has, at the time of approving these financial statements, had an adverse impact on the Company. The demand for retail food staples has increased significantly as consumers stockpile. The repeated closure of pubs and restaurants has led to a reduced demand for foodservice supply, offset by an increased demand for home cooking options. Our supply chain remains strong and we are working closely with retailers to ensure good supplies of products.

AB Agri Limited

Notes (continued)

2 Accounting policies (continued)

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

Going concern

As set out in note 25, the smallest group in which the results of the company are consolidated is that headed by Associated British Foods plc, which confirmed in its Annual Report dated 3 November 2020 that its directors have a reasonable expectation that the Associated British Foods plc group has adequate resources to continue in operational existence for the foreseeable future.

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

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

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	up to 66 years
Plant, machinery, fixtures and fittings	up to 20 years
Cars	up to 10 years
Leasehold	up to 50 years

AB Agri Limited

Notes *(continued)*

2 Accounting policies *(continued)*

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 group adopted IFRS 16 Leases for the first time this financial year. Judgement was required in determining the term of each lease, the discount rate used to value the lease liabilities and right-of-use assets disclosed and in identifying lease arrangements under the scope of IFRS 16.

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. Right-of-use assets 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.

AB Agri Limited

Notes *(continued)*

2 Accounting policies *(continued)*

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.

Short-term leases and leases of low-value assets

The group applies the short-term lease recognition exemption to those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the low-value asset recognition exemption to groups of underlying leases that are considered uniformly low value. Lease payments on short-term leases and leases of low-value assets are expensed to the income statement.

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.

AB Agri Limited

Notes *(continued)*

2 Accounting policies *(continued)*

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.

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 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.

AB Agri Limited

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 accounting standards and amendments were adopted during the year and had no significant impact other than IFRS 16 Leases:

- IFRS 16 Leases
- Amendments to IFRS 9 Prepayment features with Negative Compensation
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS 2015 – 2017

The new standard with the most significant effect on the group's financial statements is IFRS 16, further details of which are set out below.

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 other related requirements. The company adopted IFRS 16 on 1st September 2019 and applies it 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.

AB Agri Limited

Notes (continued)

2 Accounting policies (continued)

For lessors, IFRS 16 substantially retains existing accounting requirements and continues to require classification of leases either as operating or finance in nature. The ABF group engaged external experts to support its implementation project and established a steering committee to oversee its governance, which reported to the Audit Committee.

The group completed its implementation project during the 2019 financial year. IFRS 16 permits a choice of transition approaches: a fully retrospective approach with an adjustment made to the opening retained earnings of the comparative period; or a modified retrospective approach with the cumulative effect of initial application recognised at the date of initial application without restating prior periods.

The age, size and complexity of the group's lease portfolio meant that it would have been either impossible or extremely costly and difficult to collate sufficient information to apply the fully retrospective approach. The group has therefore determined to adopt the modified retrospective approach.

Lease liabilities are measured initially at the present value of lease payments yet to be paid, subsequently adjusted for interest and lease payments as well as a number of other changes to lease provisions. Lease liabilities are included in net debt.

Right-of-use assets are reported as noncurrent assets and are initially measured at either:

- carrying amount as if IFRS 16 had been applied since the lease commencement date, discounted by the group's incremental borrowing rate as at 1st September 2019 (applied to a majority of the group's leases where sufficient historical information was available); or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments (applied to a small number of leases where sufficient historical information was not available).

Right-of-use assets are subsequently measured at cost less accumulated depreciation and any impairment losses, adjusted for any remeasurement of the lease liability.

Operating lease expenses previously charged to operating profit have been replaced by depreciation of right-of-use assets (within operating profit) and interest cost (within finance expense). Although the aggregate income statement impact of each lease over its life does not change, the generally straight-line profile of operating lease expense is now more front-loaded under IFRS 16 because of the interest charge on the lease liability.

AB Agri Limited

Notes (continued)

2 Accounting policies (continued)

In applying IFRS 16, the group has applied the following practical expedients as of the transition date:

- reliance on the previous identification of a lease (as defined by IAS 17) for all contracts that existed at the date of initial application;
- reliance on previous assessment of whether leases are onerous instead of performing an impairment review (rental payments associated with these leases are recognised in the Income statement on a straight-line basis over the life of the lease);
- accounting for operating leases with a remaining lease term of less than 12 months as at the transition date as short-term leases excluded from the scope of IFRS 16 (rental payments associated with these leases are recognised in the Income statement on a straight-line basis over the life of the lease); and
- accounting for operating leases for low-value items as excluded from the scope of IFRS 16.

No adjustment has been made to the recognition and measurement of assets previously recognised as finance leases under IAS 17 which were transferred to right-of-use assets on adoption of IFRS 16, with the related borrowings transferred to lease liabilities.

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:

- IFRS 17 Insurance Contracts effective 2022 financial year (not yet endorsed by the EU)
- Amendments to IFRS 3 Definition of a Business effective 2021 financial year
- Amendments to IAS 1 and IAS 8 Definition of Material effective 2021 financial year
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current effective 2023 financial year (not yet endorsed by the EU)
- Amendments to References to the Conceptual Framework in IFRS Standards effective 2021 financial year

AB Agri Limited

Notes (continued)

The changes set out below to the group's assets and liabilities were recorded at the transition date of 15 September 2019 in the 2020 financial year and were charged against opening equity in this 2020 annual report.

	As reported 31st August 2019 £000	IFRS 16 adjustments £000	31st August 2019 £000
<i>Non-current assets</i>			
Property, plant and equipment	68,733	-	68,733
Right-of-use assets	-	8,062	8,062
Other non-current assets	35,485	-	35,485
Total non-current assets	104,218	8,062	113,379
<i>Current assets</i>			
Other current assets	72,484	-	-
Total current assets	72,484	-	72,484
Total assets	176,702	8,062	185,863
<i>Liabilities</i>			
Lease liabilities	-	(8,203)	(8,203)
Loans and overdrafts	(42,651)	-	(42,651)
Provisions	-	-	(3,329)
Other liabilities	(3,329)	-	(96,435)
	(96,435)		
Total liabilities	(142,215)	(8,203)	(150,618)
<i>Equity</i>			
Total equity attributable to equity shareholders	139,600	(141)	139,459
Total equity	139,600	(141)	139,459

AB Agri Limited

Notes (continued)

The 2019 results have been provided on an IFRS 16 pro forma basis in addition to the results previously reported under IAS 17 in order to provide a better understanding of comparison between the 2020 results and the 2019 results. These IFRS 16 pro forma figures have been prepared using the same data and assumptions as those used for the transition adjustment.

Disclosures on transition

The following table reconciles the operating lease commitments as at 31st August 2019 disclosed in the prior year accounts to the amount recognised on the consolidated balance sheet in respect of lease liabilities on adoption of IFRS 16.

	As reported 31st August 2019 £000
<i>Undiscounted future lease commitments as at 31st August 2019</i>	8,021
Effect of discounting	182
Total IFRS 16 lease liabilities recognised as at 31 st August 2019	8,203

Under the modified retrospective transition method, lease payments were discounted to present value at 31 August 2019 using incremental borrowing rates derived as at that date representing the rate of interest that the group entity that entered into the lease would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The weighted average incremental borrowing rate applied on transition for the food businesses, the incremental borrowing rates applied to individual leases range between 0.00% and 14.56%.

The 2019 results have been provided on an IFRS 16 pro forma basis in addition to the results previously reported under IAS 17 in order to provide a better understanding of comparison between the 2020 results and the 2019 results. These IFRS 16 pro forma figures have been prepared using the same data and assumptions as those used for the transition adjustment.

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.

AB Agri Limited

Notes (continued)

4 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	Year period ended 31 August 2020 £000	50 week period ended 31 August 2019 £000
Depreciation of tangible fixed assets (Note 11)	10,099	8,608
Amortisation (Note 9)	978	748
Depreciation of right-of-use assets (Note 10)	1,548	-
Hire of plant and machinery		
- rentals payable under operating leases	-	512
Land and building payments under operating leases	-	1,054
Research and development	5,425	5,569
Auditor's remuneration for audit fee	249	235

AB Agri Limited

Notes (continued)

5 Directors and employees

The average weekly number of employees, including directors, of the Company during the period was 1,328 (2019: 1,291). The aggregate payroll costs of these persons were as follows:

	Year ended 31 August 2020 £000	50 week period ended 31 August 2019 £000
Wages and salaries	62,495	60,095
Amounts receivable under long-term incentive plans	601	251
Social security costs	6,832	7,031
Pension costs	5,846	5,692
	75,774	73,069

The aggregate emoluments of the highest paid director from emoluments and long-term incentive plans were £1,682,000 (2019: £911,000). This figure includes Company pension contributions of £nil (2019: £nil) that were made on their behalf.

	Year ended 31 August 2020 £000	50 week period ended 31 August 2019 £000
Directors' emoluments	4,721	3,343
Pension costs	71	22
Compensation for loss of office	373	-
Amounts receivable under long-term incentive plans	601	251
	5,766	3,616

AB Agri Limited

Notes (continued)

5 Directors and employees (continued)

	Year ended 31 August 2020 Number	50 week period ended 31 August 2019 Number
Amounts were paid to the following number of directors under long-term incentive plans	-	2

6 Interest receivable and similar income

	Year ended 31 August 2020 £000	50 week period ended 31 August 2019 £000
Interest receivable on loans to fellow group undertakings	39	54
	39	54

7 Interest payable and similar charges

	Year ended 31 August 2020 £000	50 week period ended 31 August 2019 £000
Other interest payable	667	517
	667	517

AB Agri Limited

Notes (continued)

8 Tax on loss on ordinary activities

Analysis of tax charge/(credit)

	Year ended 31 August 2020	50 week period ended 31 August 2019
	£000	£000
<i>UK corporation tax</i>		
Current tax on income for the period	898	(124)
Adjustment in respect of prior periods	487	(65)
Total current tax	1,385	(189)
Overseas Tax	-	15
<i>Deferred tax (see note 17)</i>		
Reversal of timing differences	240	(83)
Effect of change in tax rate	(9)	9
Adjustment in respect of prior periods	(8)	(59)
Total deferred tax	223	(133)
Tax on loss on ordinary activities	1,609	(307)

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 charge/(credit) for the current period

The current tax charge for the period is lower than (2019: lower than) the standard rate of corporation tax in the UK 19.00% (2019: 19.00%).

	Year ended 31 August 2020 £000	50 week period ended 31 August 2019 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before taxation	(4,393)	(3,071)
Current tax at 19.00% (2019: 19.00%)	(835)	(584)
Effects of:		
Rate change	383	9
Expenses not deductible	1,581	377
Overseas withholding tax not recoverable	-	15
Adjustment to tax charge in respect of prior periods	479	(124)
Total tax charge / (credit) - (see above)	1,609	(307)

Factors affecting future tax charges

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

AB Agri Limited

Notes (continued)

9 Intangible assets

	Goodwill	Intangible assets	Total
	£000	£000	£000
Cost			
At beginning of period	10,617	18,414	29,031
Additions	-	2,576	2,576
At end of period	10,617	20,990	31,607
Amortisation			
At beginning of period	-	12,835	12,835
Charge for the period	-	978	978
At end of period	-	13,813	13,813
Net book value			
At 31 August 2020	10,617	7,177	17,794
At 31 August 2019	10,617	5,579	16,196

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 Leases

The group adopted IFRS 16 Leases on 1 September 2019. Refer to the Significant accounting policies. Most of the right-of-use assets are associated with our leased property portfolio.

Right-of-use assets

	Land and freehold buildings	Plant and machinery, fixtures and fittings, cars	Total
	£000	£000	£000
Cost			
IFRS 16 opening adjustment	7,020	1,042	8,062
Additions	2,647	-	2,647
Other	-	-	-
As at 31 st August 2020	9,667	1,042	10,709
Depreciation			
Charge for the period	1,103	445	1,548
Other	-	-	-
As at 31 st August 2020	1,103	445	1,548
Net Book Value as at 1st September 2019	9,667	1,042	10,709
Net Book Value as at 31st August 2020	8,564	597	9,161

AB Agri Limited

Notes (continued)

Lease liabilities

	Land and freehold buildings	Plant and machinery, fixtures and fittings, cars	Total
	£000	£000	£000
Cost			
IFRS 16 opening adjustment	(7,167)	(1,036)	(8,203)
Additions	(2,636)	-	(2,636)
Interest expense	(38)	(3)	(41)
Repayments	1,165	438	1,603
Other	(3)	-	(3)
As at 31 st August 2020	(8,679)	(601)	(9,280)
Current			(1,503)
Non-current			(7,777)
Total			(9,280)

Lease liabilities comprise £9,239k capital payable and £41k interest payable; the interest payable is all current and disclosed within current lease liability on the face of the balance sheet.

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

	Year ended 31 st August 2020 £000
Land and buildings	126
Plant and machinery, fixtures and fittings, cars	26
Total expense	152

AB Agri Limited

Notes (continued)

The future minimum lease payments as at 31 August 2020 are as follows:

	Year ended 31 st August 2020 £000
Within 1 year	1,503
Greater than 1 year	7,777
Total value	<u>9,280</u>

11 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
Cost					
At beginning of period	19,564	1,731	135,568	1,273	158,136
Additions	42	6	12,134	1,942	14,124
Disposals	-	-	(6,532)	-	(6,532)
Transfers	-	-	(42)	(1,154)	(1,196)
At end of period	<u>19,606</u>	<u>1,737</u>	<u>141,128</u>	<u>2,061</u>	<u>164,532</u>
Depreciation					
At beginning of period	10,197	569	78,637	-	89,403
Charge for the period	420	103	9,576	-	10,099
Disposals	-	-	(5,775)	-	(5,775)
At end of period	<u>10,617</u>	<u>672</u>	<u>82,438</u>	<u>-</u>	<u>93,727</u>
Net book value					
At 31 August 2020	<u>8,989</u>	<u>1,065</u>	<u>58,690</u>	<u>2,061</u>	<u>70,805</u>
At 31 August 2019	<u>9,367</u>	<u>1,162</u>	<u>56,931</u>	<u>1,273</u>	<u>68,733</u>

Agri Limited

Notes (continued)

12 Investments

	Shares in group undertakings £000
Cost	
At beginning of period	19,289
Additions	6,036
At end of period	25,325

The addition in the period relates to the recognition in the investment in AB Vista Europe B.V, an animal nutrition technology company offering pioneering products and technical services to the global animal feed industry. The Company has a 100% interest in the following subsidiary companies:

<i>Subsidiary undertakings</i>	<i>Principal activity</i>	<i>Registered address</i>
ABN (Overseas) Limited	Investment company	Weston Centre, 10 Grosvenor Street, London, W1K 4QY, United Kingdom
Roses Nutrition Limited	Non-trading	Weston Centre, 10 Grosvenor Street, London, W1K 4QY, United Kingdom
LeafTC Limited	Non-trading	Weston Centre, 10 Grosvenor Street, London, W1K 4QY, United Kingdom
ABN (Scotland) Limited	Non-trading	180 Glentanar Road, Glasgow, G22 7UP, United Kingdom
ABNA Limited	Non-trading	Weston Centre, 10 Grosvenor Street, London, W1K 4QY, United Kingdom
Nutrition Trading (International) Limited	Non-trading	Weston Centre, 10 Grosvenor Street, London, W1K 4QY, United Kingdom
AgriLines Limited	Non-trading	Weston Centre, 10 Grosvenor Street, London, W1K 4QY, United Kingdom
Premier Nutrition Products Limited	Non-trading	Weston Centre, 10 Grosvenor Street, London, W1K 4QY, United Kingdom
Banbury Agriculture Limited	Non-trading	Weston Centre, 10 Grosvenor Street, London, W1K 4QY, United Kingdom

Agri Limited

Notes (continued)

12 Investments

Nutrition Trading Limited	Non-trading	Weston Centre, 10 Grosvenor Street, London, W1K 4QY, United Kingdom
Spectrum Aviation Limited AB Vista Europe B.V.	Informatics company	Weston Centre, 10 Grosvenor Street, London, W1K 4QY, United Kingdom
ABNA (Shanghai) Feed Co., Limited *	Animal nutrition technology company	Weena 505, 3013AL Rotterdam, Netherlands
ABNA Trading (Shanghai) Co., Limited	Animal nutrition technology company	868 Yongpu Road, Pujiang Town, Minhang District, Shanghai 201112, China
	Animal nutrition technology company	Room 2803, Raffles City Changning, No. 1189 Changning Road, Changning District, Shanghai, 200051, China

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.

13 Capital commitments

Capital commitments at the end of the financial period, for which no provision has been made, amounted to £2,606,000 (2019: £1,178,000).

AB Agri Limited

Notes (continued)

14 Stocks

	31 August 2020 £000	31 August 2019 £000
Raw materials and consumables	17,498	18,224
Finished goods and goods for resale	3,480	2,309
	<u>20,978</u>	<u>20,533</u>

15 Debtors

	31 August 2020 £000	31 August 2019 £000
Trade debtors	116,144	120,779
Amounts owed by group undertakings	915	12,287
Other debtors	69	102
Prepayments and accrued income	21,350	20,873
	<u>138,478</u>	<u>154,041</u>

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

16 Creditors – amounts falling due within one year

	31 August 2020 £000	31 August 2019 £000
Trade creditors	65,478	74,087
Amounts owed to group undertakings	2,876	2,629
Corporation tax	1,903	875
Other creditors	375	130
Accruals and deferred income	22,508	21,343
Lease liabilities	1,503	-
	<u>94,643</u>	<u>99,064</u>

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

AB Agri Limited

Notes (continued)

17 Creditors – amounts falling due after one year

	31 August 2020 £000	31 August 2019 £000
Amounts owed to group undertakings	43,437	38,907
Lease liabilities	7,777	-
	<u> </u>	<u> </u>

18 Provision for liabilities and charges

		Deferred tax £000
At 1 st September 2019		(3,329)
Charge to the profit and loss account		(224)
Charge relating to other comprehensive loss		96
		<u> </u>
At 31 August 2020		(3,457)
		<u> </u>
	31 August 2020 £000	31 August 2019 £000
Deferred taxation		
Analysis by component:		
Accelerated capital allowances	(3,329)	(3,474)
Credit to reserves	96	12
Credit / (charge) to profit and loss account	(233)	132
	<u> </u>	<u> </u>
	(3,456)	(3,329)
	<u> </u>	<u> </u>

19 Called up share capital

	31 August 2020 £000	31 August 2019 £000
Issued and fully paid		
102,000,000 ordinary shares of £1 each (2019:102,000,000)	102,000	102,000
	<u> </u>	<u> </u>

AB Agri Limited

Notes (continued)

20 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 £601,000 during the period (2019: expense of £251,000).

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

21 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.

22 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 2020, the Company has not provided any guarantees in the ordinary course of business.

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. These accounts reflect the triennial valuation of the UK scheme undertaken at 5 April 2017 which determined a surplus of £176m on a funding basis. As a result there was no requirement to agree a recovery plan with the trustees. The latest triennial valuation at 5 April 2020 has not yet been finalised but we expect this valuation to lead to a moderate deficit.

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 £5,846,000 (2019: £5,692,000).

24 Related party transactions

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

	2020	2019
	£000	£000
Sales (on normal trading terms)	143	153
Purchases (on normal trading terms)	197,398	219,004
Amounts due from related parties (on normal trading terms)	14	-
Amounts due to related parties (on normal trading terms)	19,887	19,358

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

AB Agri Limited

Notes *(continued)*

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