

ABF Grain Products Limited

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

Registered number 00079590

For the period of 52 weeks ended 14 September 2019



Contents

Strategic report	3
Directors' report	6
Statement of directors' responsibilities	8
Independent auditor's report to the members of ABF Grain Products Limited	9
Income statement	12
Balance sheet	13
Statement of changes in equity	14
Notes	15

Strategic report

Principal activities

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

Business model

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

Business review

The loss for the period of 52 weeks ended 14 September 2019 after taxation is £19,049,000 (2018 loss £74,165,000).

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

	2019 £'000	2018 £'000	Change %
Turnover	1,021,775	995,798	+2.6%
Gross profit	247,929	253,489	-2.2%
Operating (loss)	(22,928)	(19,611)	-16.9%
Average number of employees	6,053	6,042	+0.2%
Gross margin percentage	24.3%	25.5%	-4.7%

Turnover increased by +2.6% but gross profit was down by -2.2%, as conditions remain highly competitive.

The operating loss in the year of £22,928,000 was -16.9% adverse to 2018 before exceptional items for the impairment at Allied Bakeries taken in 2018. Allied Bakeries performance in the UK bread market progressed this year following price increases agreed with a number of customers, but as previously advised, the termination of our largest private label bread contract has resulted in volume losses. We continue to reduce the cost base at Allied Bakeries and have reduced our capacity with the closure of our Cardiff bakery at the end of the year. During the coming year we will implement more cost reductions in a number of operational areas to further reduce losses in this business.

Jordans, Dorset Cereals and Ryvita delivered an improving manufacturing capability, with the commissioning of the new Ryvita bakery in Bardney, Lincolnshire, and the transfer of muesli production to a state-of-the-art facility in Poole, Dorset. However, gross margin declined due to higher operational and raw material costs.

Westmill Foods have progressed well with an expansion of noodle production capacity in Manchester, which is about to go live in 2020. A relaunch of the Rajah spice range has been received well, but rice margins fell due to an increase in raw material costs and competitive pressures in the market place.

AB Sports Nutrition trading under the HIGH5 and Reflex brands, had a challenging year with intense price competition and a significant move to online trading that was faster than expected. A focus on quality, and a redevelopment of our online platform have stabilised revenues with progress being made in the new financial year.

Speedibake continued to mitigate cost inflation through cost control and price increases in the year, while seeking out further opportunities to grow revenues. Post year end, a fire took place at the Speedibake Wakefield site which resulted in the destruction of substantially all of the buildings and assets. Fixed assets and stock totalling £18.8m have been written off and will be reflected in the financial statements next year. Conversations are ongoing with our insurers and we are confident of being reimbursed in full for the assets destroyed and for business interruption.

Strategic report (continued)

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 in the group's interim results announcement dated 21 April 2020, both of which are available at www.abf.co.uk. The principal risks and uncertainties of this company arise in its trading businesses and are assessed within the operating businesses where they are identified, evaluated and managed by the directors.

Operating in a global market

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

Health and Nutrition

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

Fluctuations in commodity and energy prices

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

Movements in exchange rates

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

COVID-19 and going concern

The post year end COVID-19 pandemic has affected our business in differing ways. The demand for retail food staples such as plant based has increased significantly as end consumers stockpile, while social distancing and the closure of restaurants has adversely impacted the demand for products we supply into the restaurant trade. Our supply chain remains strong and we have been working closely with retailers to ensure good supplies of products as required. 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.

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.

By order of the board



S Arrowsmith
Director
5 June 2020

Weston Centre,
10 Grosvenor Street,
London
W1K 4QY

Directors' report

The directors present their annual report and the audited financial statements for the 52 week period ended 14 September 2019.

Directors and directors' interests

The directors who held office during the period were:

S Arrowsmith (appointed 17 June 2019)
D Barton
M Fowle
C Law (appointed 17 June 2019)
V Lawrence (appointed 11 January 2019)
R Lee
I Mace
L McNamara (appointed 17 June 2019)
C Minter
P Murphy
J Jenkins (resigned 14 October 2019)
G McKechnie (resigned 11 January 2019)
M Ward (resigned 5 April 2019)
J Willis (resigned 9 October 2018)

Dividends

The directors do not recommend the payment of a dividend. (2018: £nil).

Going concern

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

Supplier Payment Policy

The Company's policy is to agree payment terms with suppliers when negotiating the terms of each transaction, to ensure that suppliers are fully aware of these payment terms and to abide by them. Trade creditors of the company at 14 September 2019 were equivalent to 24 days' purchases (2018: 29 days), based on the average daily amount invoiced by suppliers during the year.

Disabled Persons

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

Disclosure of information to auditor

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

Auditors

Pursuant to Section 487 of the Companies Act 2006, Ernst & Young LLP served as independent external auditors for the period of 52 weeks ended 14 September 2019 and will be deemed to be reappointed for the following period.

By order of the board



S Arrowsmith
Director
5 June 2020

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

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

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

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

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

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

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

Opinion

We have audited the financial statements of ABF Grain Products Limited for the year ended 14th September 2019 which comprise the Income Statement, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 24, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 101 "Reduced Disclosure Framework".

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 14th September 2019 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Emphasis of matter – disclosure of effects of COVID-19

We draw attention to notes 2 and 23 of the financial statements, 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.

Other information

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 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.

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

Use of our report

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

**Andy
Clewes**  Digitally signed by Andy Clewes
DN: cn=Andy Clewes,
email=aclewes@uk.ey.com
Date: 2020.06.05 13:23:35
+01'00'

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

Notes:

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

Income statement

for the 52 week period ended 14 September 2019

	Note	2019 £000	2018 £000
Turnover		1,021,775	995,798
Cost of sales		(773,846)	(742,309)
Gross Profit		247,929	253,489
Selling and distribution costs		(178,515)	(182,129)
Administration expenses		(92,342)	(90,971)
Operating loss	3	(22,928)	(19,611)
Interest receivable and similar income	7	(636)	88
Exceptional items	8	-	(65,000)
Loss on ordinary activities before taxation		(23,564)	(84,523)
Tax credit	9	4,515	10,358
Loss for the financial period	20	(19,049)	(74,165)

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

A reconciliation of movements in shareholders' funds is given in note 20.

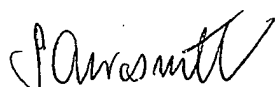
Statement of comprehensive Income

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

Balance sheet
at 14 September 2019

	<i>Note</i>	2019 £000	2019 £000	2018 £000	2018 £000
Fixed assets					
Goodwill	10		65,901		65,901
Intangible assets	10		26,338		34,305
Tangible assets	11		292,912		283,018
Investment in subsidiaries	13		24,346		24,346
			<hr/>		<hr/>
			409,497		407,570
Current assets					
Stocks	15	70,245		63,876	
Debtors	16	157,837		148,996	
Cash at bank and in hand		3,841		4,526	
		<hr/>		<hr/>	
		231,923		217,398	
Creditors: amounts falling due within one year	17	(351,774)		(315,251)	
		<hr/>		<hr/>	
Net current (liabilities)			(119,851)		(97,853)
			<hr/>		<hr/>
Total assets less current liabilities			289,646		309,717
Provisions for liabilities and charges	18		(11,306)		(12,357)
			<hr/>		<hr/>
Net assets			278,340		297,360
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	19		200,000		200,000
Hedging reserve			(181)		438
Share based payment reserve			5,172		4,524
Profit and loss account			73,349		92,398
			<hr/>		<hr/>
Shareholders' funds	20		278,340		297,360
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 5 June 2020 and were signed on its behalf by:



S Arrowsmith
Director

Statement of changes in equity

for the 52 week period ended 14 September 2019

	Share capital	Profit and loss reserve	Hedge reserve	Share based payment reserve	Total
	£000	£000	£000	£000	£000
As at 16 September 2017	200,000	166,563	(223)	4,074	370,414
Loss for the financial period	-	(74,165)	-	-	(74,165)
Movement in hedging reserve	-	-	661	-	661
Movement in share based payment reserve	-	-	-	450	450
As at 15 September 2018	200,000	92,398	438	4,524	297,360
Loss for the financial period	-	(19,049)	-	-	(19,049)
Movement in hedging reserve	-	-	(619)	-	(619)
Movement in share based payment reserve	-	-	-	648	648
As at 14 September 2019	200,000	73,350	(181)	5,172	278,340

Notes

(forming part of the financial statements)

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

The financial statements of ABF Grain Products Limited (the "Company") for the 52 weeks ended 14 September 2019 were authorised for issue by the board of directors on 5 June 2020 and the balance sheet was signed on the board's behalf by S Arrowsmith. ABF Grain Products Limited is incorporated and domiciled in England and Wales.

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

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

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

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

2 . Accounting policies

2.1 Basis of preparation

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

Notes (continued)

2 Accounting policies (continued)

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 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 Strategic Report and in the post-balance sheet events note.

2.2 Judgements and key sources of estimation uncertainty

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

Taxation

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

Impairment

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

Rebates

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

2.3 Significant accounting policies

a) Turnover

The turnover shown in the profit and loss account represents the invoiced value of sales made to customers after the deduction of discounts and excluding value added tax. Discounts include sales rebates, price discounts, customer incentives, certain promotional activities and similar activities. Turnover is recognised when the risks and rewards of the underlying products have been substantially transferred to the customer and when it can be reliably measured.

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

b) Foreign currency translation

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

Notes (continued)

2 Accounting policies (continued)

c) Derivatives

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

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

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

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

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

c) Intangible fixed assets - brands

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

d) Intangible fixed assets – licences

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

e) Intangible fixed assets – software

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

f) Goodwill

Goodwill arising on a business combination is the excess of the remeasured carrying amount of any existing equity interest plus the fair value of consideration payable for the additional stake over the fair value of the share of net

Notes (continued)

2 Accounting policies (continued)

g) Goodwill (continued)

identifiable assets and liabilities acquired (including separately identified intangible assets), net of non-controlling interests. Total consideration does not include acquisition costs, which are expensed as incurred. Certain commercial assets associated with the acquisition of a business are not capable of being recognised in the acquisition balance sheet. In such circumstances, goodwill is recognised, which may include, but is not necessarily limited to, workforce assets and the benefits of expected future synergies. Goodwill is not amortised but is subject to an annual impairment review.

h) Research and development

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

i) Investments

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

j) Tangible fixed assets and depreciation

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

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

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

Calculation of recoverable amount

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

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

k) Impairment of non-financial assets

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

Notes (continued)

2 Accounting policies (continued)

k) Impairment of non-financial assets (continued)

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

l) Provisions for liabilities

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

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

m) Leases

All material leases entered into by the Company are operating leases whereby substantially all the risks and rewards of ownership of the assets remain with the lessor. Rental payments are charged against profits on a straight-line basis over the life of the lease.

n) Inventories

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

o) 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.

p) Pension costs

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

Notes (continued)

2 Accounting policies (continued)

q) Share based payment reserve

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

2.4 Standards which are in issue but not yet effective

IFRS 16 Leases addresses the principles for the recognition and measurement of leases and will be effective from ABF Grain Products Limited's financial period commencing 15 September 2019. This new standard will replace IAS 17 Leases. The company expects to record right of use assets and related lease liabilities on initial adoption of this new standard of approximately £18m. The company does not expect a material impact on its annual comprehensive income.

3 Notes to the Profit & Loss Account

	52 weeks ended 14 September 2019 £000	52 weeks ended 15 September 2018 £000
<i>Loss on ordinary activities before taxation is stated after charging:</i>		
Amortisation of intangible assets	10,731	10,525
Gain on sale of land	(1,399)	(1,207)
Gain from insurance claim	-	-
(Gains)/Losses on foreign exchange transactions	(211)	347
Depreciation of tangible fixed assets	30,605	40,851
Rentals payable under property operating leases	1,434	1,435
Hire of plant and machinery		
-- rentals payable under operating leases	1,465	1,668
	<hr/>	<hr/>
	52 weeks ended 14 September 2019 £000	52 weeks ended 15 September 2018 £000
Auditor's remuneration:		
Audit of these financial statements	475	479
Non-audit services	5	-
	<hr/>	<hr/>
	480	479
	<hr/>	<hr/>

Notes (continued)

4 Remuneration of directors

	52 weeks ended 14 September 2019 £000	52 weeks ended 15 September 2018 £000
Directors' emoluments	2,819	2,984
Pension scheme contributions	55	58
Long-term incentive plans	92	354
	<u>2,966</u>	<u>3,396</u>

The aggregate emoluments of the highest paid director were £536,604 (2018: £476,139).

Retirement benefits under a defined benefit pension arrangement accrued to one director in both the current and prior years.

5 Staff numbers and costs

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

	Number of employees
	52 weeks ended 14 September 2019
Average number of employees per week	6,053

The aggregate payroll costs of these persons were:

	52 weeks ended 14 September 2019 £000	52 weeks ended 15 September 2018 £000
Wages and salaries	207,720	201,253
Social security costs	22,693	21,453
Other pension costs	18,614	19,921
	<u>249,027</u>	<u>242,627</u>

6 Pensions

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

The most recent triennial funding valuation of the Scheme was carried out as at 5 April 2017, using the current unit method, and revealed a surplus of £176m. The market value of the Scheme assets was £3,789m, representing 105% of members' accrued benefits after allowing for expected future salary increases. Full IAS 19 disclosures can be found on page 143 of the financial statements of Associated British Foods plc, which may be obtained from Weston Centre, 10 Grosvenor Street, London, W1K 4QY. These financial statements are also available for download from the group's website at www.abf.co.uk.

Notes (continued)

7 Interest receivable and similar income

	52 weeks ended 14 September 2019 £000	52 weeks ended 15 September 2018 £000
Interest (payable)/receivable on intercompany balances	(636)	88

8 Exceptional Items

In December 2018, Allied Bakeries received notice of the termination of its largest private label manufacturing contract. This is expected to result in a significant reduction in bread volumes from late in the 2019 calendar year, with limited opportunity to mitigate this volume loss in the short term. The board has been concerned about the worsening trend in the performance of Allied Bakeries and the difficulty in recovering cost increases in a highly competitive market. In light of the forthcoming termination of the private label contract mentioned above, management is considering courses of action to return the business to profitability. Of the methodologies available to calculate the impairment, the group has applied the "fair value less costs of disposal" approach to identify its best estimate of the impairment. The key assumptions used in this assessment are similar to those in previous year end impairment assessments – bread volumes, bread prices and long-term growth in the market, as well as logistical and other savings from restructuring. The discount rate used was 10.9%. This assessment resulted in a shortfall of £65m compared to the CGU carrying value. A charge for this was included as an exceptional item in the income statement in the previous financial year and was allocated to the property, plant and equipment of the business. There is no goodwill associated with Allied Bakeries.

9 Taxation

	52 weeks ended 14 September 2019 £000	52 weeks ended 15 September 2018 £000
<i>UK corporation tax</i>		
Current tax on income for the period	(5,699)	(2,773)
Adjustment in respect of previous periods	9	1,642
Total current tax	(5,690)	(1,131)
<i>Deferred tax (see Note 18)</i>		
Origination and reversal of timing differences	1,563	(9,874)
Effect of change in tax rate	-	-
Adjustment in respect of previous periods	(388)	647
Total deferred tax	1,175	(9,227)
Tax (credit) on profit on ordinary activities	(4,515)	(10,358)

Notes (continued)

9 Taxation (continued)

Current tax reconciliation

	52 weeks ended 14 September 2019 £000	52 weeks ended 15 September 2018 £000
Loss on ordinary activities before tax	(23,564)	(84,523)
Current tax (credit) at 19% (2018: 19.%)	(4,477)	(16,059)
Effect of rate change	(183)	1,161
Expenses not deductible for tax purposes	857	2,497
Overseas withholding tax not recoverable	-	-
Loss on exempt disposals	(332)	(246)
Adjustments to tax charge in respect of previous years	(379)	2,289
Total tax (credit)	(4,515)	(10,358)
UK corporation tax debtor	9,189	3,935
Deferred tax liability	8,812	7,764
<i>Movement in deferred tax provision</i>		
At beginning of period	7,764	16,676
Charge to income statement for the period	1,175	(9,227)
Deferred tax on hive-up	-	180
Tax to reserves	(127)	135
At end of period	8,812	7,764

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

Notes (continued)

10 Intangible fixed assets

	Brands £000	Software £000	Licences £000	Goodwill £000	Total £000
<i>Cost</i>					
At beginning of period	71,436	18,008	1,848	66,761	158,053
Additions	-	2,763	-	-	2,763
Disposals	-	(103)	-	-	(103)
At end of period	71,436	20,668	1,848	66,761	160,713
<i>Amortisation or impairment</i>					
At beginning of period	45,129	10,010	1,848	860	57,847
Charge for period	8,354	2,376	-	-	10,730
Disposals	-	(103)	-	-	(103)
At end of period	53,483	12,283	1,848	860	68,474
<i>Net book amount</i>					
At 14 September 2019	17,953	8,385	-	65,901	92,239
At 15 September 2018	26,307	7,998	-	65,901	100,206

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

The Goodwill relates to the following cash generating units (CGUs) Westmill Foods (£7m), Dorset Cereals (£15m), Reflex (£19m) and HIGH5 (£25m). The carrying value of goodwill is assessed by reference to its value in use to perpetuity reflecting the projected cash flows of each of the CGUs or group of CGUs. The key assumptions in the most recent forecast on which the cash flow projections are based relate to discount rates, growth rates and expected changes in volumes, selling prices and direct costs. Each CGU carries out impairment testing, where each CGU had positive headroom across a range of discount rates from 7.5% - 11.5%.

Notes (continued)

11 Tangible fixed assets

	Land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Assets under construction £000	Total £000
Cost					
At beginning of period	137,042	593,940	45,208	55,796	831,986
Additions	1,030	16,513	1,167	22,636	41,346
Disposals	(1,063)	(16,878)	(3,639)	-	(21,580)
Transfers	10,635	21,110	2,228	(33,973)	-
At end of period	147,644	614,685	44,964	44,459	851,752
Depreciation					
At beginning of period	62,804	451,153	35,011	-	548,968
Charge for the period	2,255	26,123	2,226	-	30,604
On disposals	(1,063)	(16,093)	(3,576)	-	(20,732)
Transfers	(9,509)	9,066	443	-	-
At end of period	54,487	470,249	34,104	-	558,840
Net book amount					
At 14 September 2019	93,157	144,436	10,860	44,459	292,912
At 15 September 2018	74,238	142,787	10,197	55,796	283,018

Assets under construction relate primarily to a new biscuit manufacturing facility in Bardney, UK.

Analysis of land and buildings at net book value:

	14 September 2019 £000	15 September 2018 £000
Freehold land and buildings	77,904	60,091
Short leasehold	15,253	14,147
	93,157	74,238

Freehold land of £10,929,000 (2018: £10,929,000) is not depreciated.

Notes (continued)

12 Fixed asset investments

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

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

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

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

13 Investment in subsidiaries

	Subsidiary undertakings £000
<i>Cost</i>	
At 15 September 2018	68,479
Additions	-
	<hr/>
At 14 September 2019	68,479
	<hr/>
<i>Transfer to Goodwill on Hive-up</i>	
At 15 September 2018	(44,133)
	<hr/>
At 14 September 2019	(44,133)
	<hr/>
<i>Provision for impairment</i>	
At 15 September 2018	-
	<hr/>
At 14 September 2019	-
	<hr/>
<i>Net book value</i>	
At 15 September 2018	24,346
	<hr/>
At 14 September 2019	24,346
	<hr/>

Notes (continued)

13 Investment in subsidiaries (continued)

The company's subsidiaries are as follows:

Subsidiary	Country of incorporation	Investment £	Percentage ordinary shares held
H 5 Limited ^{Note 3}	United Kingdom	6,232,000	100%
Reflex Nutrition Limited ^{Note 3}	United Kingdom	6,058,000	100%
Dorset Cereals Limited ^{Note 3}	United Kingdom	16,121,000	100%
Allied Technical Centre Limited ^{Note 3}	United Kingdom	100	100%
Pro-Active Nutrition Limited ^{Note 3}	United Kingdom	1	100%

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

Trade operations, assets and liabilities of Reflex Limited and H5 limited in 2018 were transferred to ABF Grain Products Limited.

Details of the financial impact of this intra-group transfer are set out in the following table:

	Reflex Limited £000	H5 Limited £000
Fixed assets		
Intangible assets	12	-
Property, plant and equipment	5,451	393
Current assets		
Stock	1,532	1,088
Debtors	1,371	6,148
Cash	1,003	818
Total assets	9,369	8,447
Trade and other payables	(4,727)	(3,738)
Net assets	4,642	4,709

Notes (continued)

14 Capital commitments

The Company has capital expenditure commitments of £3,866,000 (2018: £1,415,000) for which no provision has been made in these financial statements.

15 Stocks

	14 September 2019 £000	15 September 2018 £000
Raw materials and consumables	35,240	34,105
Work in progress	113	110
Finished goods and goods for resale	34,892	29,661
	<u>70,245</u>	<u>63,876</u>

16 Debtors

	14 September 2019 £000	15 September 2018 £000
Trade debtors	121,502	115,043
Amounts owed by parent undertakings	-	-
Amounts owed by group undertakings	15,562	19,412
Other debtors	1,043	1,285
Prepayments and accrued income	7,073	5,515
Corporation tax	9,189	3,935
Other taxes and VAT	3,468	3,806
	<u>157,837</u>	<u>148,996</u>

Trade debtors are non-interest bearing and are normally settled on average on 51 days terms. Amounts owed by group undertakings of £15,562k (2018: £19,412k) relate to trade with group subsidiaries and are non-interest bearing and normally settled within 30 days.

Notes (continued)

17 Creditors

<i>Amounts falling due within one year</i>	14 September 2019 £000	15 September 2018 £000
Bank loans and overdrafts	-	14
Trade creditors	64,034	75,218
Amounts owed to parent undertakings	44,137	66,462
Amounts owed to group undertakings	192,075	122,971
Other taxes and social security	10,092	7,514
Other creditors	645	874
Accruals and deferred income	38,433	37,779
Capital creditors	2,358	4,419
	<u>351,774</u>	<u>315,251</u>

Trade creditors are non-interest bearing and are normally settled on average on 24 days terms. Amounts owed to group undertakings of £180,935k (2018: £112,472k) are non-interest-bearing and represent balances owed to other group companies following the hive-up of Food Investments, Jordans Ryvita, Dorset Cereals, Reflex and HIGH5. Other amounts owed to group undertakings of £11,140k (2018: £10,499k) relate to trade with group subsidiaries and are non-interest bearing and normally settled within 30 days. Amounts owed to parent undertakings of £44,249k (2018: £66,462k) relate to loans owed to Associated British Foods plc and bear interest at LIBOR + 0.25% (2018: LIBOR + 0.25%) set biannually. Based on impairment testing performed on investments, we did not identify any impairment indicators. As a result, we concluded that no event is triggering the recoverability of loans granted to subsidiaries.

18 Provisions for liabilities and charges

	Deferred Tax £000	Deferred consideration £000	Restructuring £000	Other £000	Total £000
At beginning of period	7,764	2,000	1,990	603	12,357
Amounts charged/(credited) to the income statement	1,175	-	4,564	(443)	5,296
Amounts added on hive-up	-	-	-	-	-
Utilised in the period	-	(1,772)	(4,438)	(10)	(6,220)
Movement in deferred tax on hedging reserve	(127)	-	-	-	(127)
At end of period	<u>8,812</u>	<u>228</u>	<u>2,116</u>	<u>150</u>	<u>11,306</u>

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

Notes (continued)

19 Called up share capital

	14 September 2019		15 September 2018	
	Number	£000	Number	£000
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	200,000,000	200,000	200,000,000	200,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
		200,000		200,000

20 Reconciliation of movement in shareholder's funds

	52 week period ended 14 September 2019 £000	52 week period ended 15 September 2018 £000
Loss for the financial period	(19,049)	(74,165)
Movement in hedging reserve	(619)	661
Movement in share based payment reserve	648	450
Net (decrease)/increase in shareholder's funds	<u>(19,020)</u>	<u>(73,054)</u>
Opening shareholder's funds	297,360	370,414
Closing shareholder's funds	<u>278,340</u>	<u>297,360</u>

21 Employee share schemes

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

The Company recognised total equity-settled share-based payment expense of £648,000 (2018 – £450,000).

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

Notes (continued)

22 Operating leases

The Company has commitments under non-cancellable operating leases. The future minimum operating lease payments are as follows:

	14 September 2019		15 September 2018	
	Land and buildings £000	Plant and machinery £000	Land and buildings £000	Plant and machinery £000
Within one year	1,440	1,304	1,367	1,269
In two to five years inclusive	4,541	2,112	4,262	1,016
Over five years	10,534	2	10,386	293
	<u>16,515</u>	<u>3,418</u>	<u>16,015</u>	<u>2,578</u>

23 Subsequent events

Since the balance sheet date, the COVID-19 pandemic has spread across the world. Any impact of COVID-19 on the Company will be reported in the 2020 financial statements.

This has highlighted the importance of the global food supply chain, in which the Company plays an important part.

The COVID-19 pandemic has affected our business in differing ways. The demand for retail food staples such as plant bread has increased significantly as end consumers stockpile, while social distancing and the closure of restaurants has adversely impacted the demand for products we supply into the restaurant trade. Our supply chain remains strong and we have been working closely with retailers to ensure good supplies of products as required. 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.

On 1st February 2020, a fire took place at the Speedibake Wakefield site which resulted in the destruction of substantially all of the building and assets. Post year end, fixed assets and stock totalling £18.8m have been written off. Conversations are ongoing with our insurers and we are confident of being reimbursed in full for the assets destroyed and for business interruption.

No adjustments to these financial statements have been made as a result of the above post balance sheet events.

24 Related party transactions

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

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

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

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