

AB Agri Limited
Annual report and financial statements
For the 52 week period ended
15 September 2018

Registered no: 00193800



AB Agri Limited

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AB Agri Limited

Strategic report

Business review

AB Agri revenues were well ahead of last year with growth in all businesses, predominantly as a result of strong UK compound feed and premix sales. Operating profit fell marginally due largely to higher distribution.

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 £6,326,000 (2017: £6,449,000).

Risks and uncertainties

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

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

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

AB Agri Limited

Strategic report (continued)

Key performance indicators

The key performance indicators for AB Agri Limited are turnover, operating profit before amortisation, return on average capital employed (operating profit divided by average net current assets, PPE and software) and debtor days (trade debtors divided by turnover multiplied by 365). The table below provides a summary of our performance against these key indicators for the past two financial periods.

| | 52 week period ended 15 September 2018 | 52 week period ended 16 September 2017 | Increase/ (Decrease) |
|---|---|---|---------------------------------|
| Turnover £000 | 957,006 | 854,930 | 102,076 |
| Operating profit before amortisation £000 | 11,175 | 12,430 | (1,255) |
| ROCE | 6.9% | 8.1% | (1.2%) |
| Debtor days | 53 | 52 | 1 |

On behalf of the board



R C Cloke
Director

Date: 13/3/19

AB Agri Limited

Directors' report

The directors present their annual report and the audited financial statements for the 52 week period ended 15 September 2018.

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, drink and bioethanol companies internationally to reduce their environmental footprint by marketing their co-products as animal feed and also supplies premix, enzymes and other technical products to the livestock and pet industries. AB Agri Limited's proposition can influence profitability at every stage of the food supply chain.

Payments to suppliers

The Company, together with its parent company Associated British Foods plc, 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 (2017: 28 days).

Dividend

The directors do not recommend the payment of a dividend in respect of the current financial period (2017: £nil).

Going concern

The directors have considered the factors that impact the Company's future development, performance, cash flows and financial position together with the Company's liquidity in forming their opinion on the suitability of using the going concern basis in preparing the financial statements.

The Company is expected to continue to generate positive cash flows for the foreseeable future. On the basis of the directors' assessment of the financial position, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

AB Agri Limited

Directors' report *(continued)*

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.

Directors

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

D J D Yiend – resigned 11/01/2018
R C Cloke
A Murphy
R G Cooper
S M Heath
J E Martinez Plata – resigned 18/04/2018
A G Cross
J J Nobre – appointed 11/01/2018

Company secretary

R S Schofield

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 £11,000 (2017: £14,000).

Disclosure of information to auditor

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

AB Agri Limited

Directors' report *(continued)*

Auditor

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

On behalf of the board



R C Cloke
Director

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

Date: 13/3/19

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 52 weeks ended 15 September 2018 which comprise Income Statement, the Balance Sheet, the Statement of Comprehensive Income, 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 15 September 2018 and of its profit for the 52 weeks then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

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 AB Agri 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 7, 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.

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

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 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

15/3/19

AB Agri Limited

Income statement

for the 52 week period ended 15 September 2018

| | Note | 52 week period ended 15 September 2018 £000 | 52 week period ended 16 September 2017 £000 |
|---|------|---|---|
| Turnover | 3 | 957,006 | 854,930 |
| Cost of sales | | (840,835) | (744,983) |
| Gross profit | | 116,171 | 109,947 |
| Distribution costs | | (61,959) | (57,064) |
| Administrative expenses | | (43,037) | (40,453) |
| Amortisation | 9 | (637) | (866) |
| Operating profit | | 10,538 | 11,564 |
| Profit on disposal of fixed assets | | 50 | 164 |
| Interest receivable and similar income | 6 | 32 | 25 |
| Interest payable and similar charges | 7 | (381) | (309) |
| Profit on ordinary activities before taxation | 4 | 10,239 | 11,444 |
| Tax on profit on ordinary activities | 8 | (752) | (2,263) |
| Profit for the financial period | | 9,487 | 9,181 |

All operations were continuing in the current and prior period.

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Statement of comprehensive income for the 52 week period ended 15 September 2018

| | 52 week period ended 15 September 2018 £000 | 52 week period ended 16 September 2017 £000 |
|--|--|--|
| Profit for the financial period | 9,487 | 9,181 |
| Movement in cash flow hedging position | 43 | (209) |
| Total comprehensive income for the financial period | 9,530 | 8,972 |

AB Agri Limited

Statement of changes in equity

for the 52 week period ended 15 September 2018

| | Share capital £000 | Capital contribution £000 | Retained earnings £000 | Hedging reserve £000 | Total £000 |
|---|--------------------------|---------------------------------|------------------------------|----------------------------|----------------|
| At 17 September 2016 | 102,000 | 5,131 | 15,831 | 219 | 123,181 |
| Profit for the period | - | - | 9,181 | - | 9,181 |
| Other reserves movement | - | - | - | (209) | (209) |
| Share-based payment expense for the period | - | 697 | - | - | 697 |
| At 16 September 2017 | 102,000 | 5,828 | 25,012 | 10 | 132,850 |
| At 16 September 2017 | 102,000 | 5,828 | 25,012 | 10 | 132,850 |
| Profit for the period | - | - | 9,487 | - | 9,487 |
| Other reserves movement | - | - | - | 43 | 43 |
| Share-based payment expense for the period | - | (206) | - | - | (206) |
| At 15 September 2018 | 102,000 | 5,622 | 34,499 | 53 | 142,174 |

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.

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Balance sheet

at 15 September 2018

| | Note | 15 September 2018 | | 16 September 2017 | |
|--|------|-------------------|---------|-------------------|---------|
| | | £000 | £000 | £000 | £000 |
| Fixed assets | | | | | |
| Intangible assets | 9 | | 15,421 | | 14,076 |
| Tangible assets | 10 | | 69,234 | | 63,933 |
| Investments | 11 | | 22,470 | | 19,289 |
| | | | <hr/> | | <hr/> |
| | | | 107,125 | | 97,298 |
| Current assets | | | | | |
| Stocks | 13 | 22,705 | | 21,215 | |
| Debtors | 14 | 170,642 | | 150,589 | |
| Cash at bank and in hand | | 2,262 | | 3,282 | |
| | | <hr/> | | <hr/> | |
| | | 195,609 | | 175,086 | |
| Creditors - amounts falling due within one year | 15 | (115,968) | | (92,808) | |
| | | <hr/> | | <hr/> | |
| Net current assets | | | 79,641 | | 82,278 |
| | | | <hr/> | | <hr/> |
| Total assets less current liabilities | | | 186,766 | | 179,576 |
| Creditors - amounts falling due after one year | 16 | (41,118) | | (42,610) | |
| Provision for liabilities and charges | 17 | (3,474) | | (4,116) | |
| | | <hr/> | | <hr/> | |
| Net assets | | | 142,174 | | 132,850 |
| | | | <hr/> | | <hr/> |
| Capital and reserves | | | | | |
| Called up share capital | 18 | 102,000 | | 102,000 | |
| Capital contribution reserve | | 5,622 | | 5,828 | |
| Profit and loss account | | 34,499 | | 25,012 | |
| Hedging reserve | | 53 | | 10 | |
| | | <hr/> | | <hr/> | |
| Shareholders' funds | | | 142,174 | | 132,850 |
| | | | <hr/> | | <hr/> |

These financial statements were approved by the board of directors on 13th March 2019 and were signed on its behalf by:



R C Cloke

Director

Company registered number: 00193800

The notes on pages 16 to 35 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 15 September 2018 were authorised for issue by the board of directors on 13th March 2019 and the balance sheet was signed on the board's behalf by R C Cloke. 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*.

Going concern

The directors have considered the factors that impact the Company's future development, performance, cash flows and financial position together with the Company's liquidity in forming their opinion on the suitability of using the going concern basis in preparing the financial statements.

The Company is expected to continue to generate positive cash flows for the foreseeable future. On the basis of the directors' assessment of the financial position, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

AB Agri Limited

Notes (continued)

2 Accounting policies (continued)

Fixed assets and depreciation

Depreciation is provided on the original cost of assets and is calculated on a straight-line basis at rates sufficient to reduce them to their estimated residual value. No depreciation is provided on freehold land. Leaseholds are written off over the period of the lease or 50 years, whichever is the shorter period. Assets in the course of construction are not depreciated until the asset is ready for use. The anticipated useful life of other assets is generally deemed to be not longer than:

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

Turnover

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

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

Leases

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

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

Research and development

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

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due provision against obsolete and slow moving items. In the case of manufactured goods the term 'cost' includes raw materials, production wages, and production overheads.

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Notes *(continued)*

2 Accounting policies *(continued)*

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.

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.

Notes *(continued)*

2 Accounting policies *(continued)*

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 1 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.

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 1 January 1998 is capitalised.

The UK Companies Act requires goodwill to be amortised over its useful economic life however under IFRS 3 *Business Combinations* goodwill is not amortised. Consequently the Company does not amortise goodwill but reviews it for impairment at each reporting date or whenever there are indicators of impairment. The Company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act.

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.

Notes (continued)

2 Accounting policies (continued)

New accounting policies

The following new accounting standards were adopted in the year, none of which resulted in a significant impact to the current or prior years:

- Annual Improvements to IFRSs 2014–2016
- Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*
- Amendments to IAS 7 *Disclosures Initiative*

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 9 *Financial Instruments: Classification and Measurement* effective 2019 financial year
- IFRS 15 *Revenue from Contracts with Customers* effective 2019 financial year
- Clarifications to IFRS 15 *Revenue from Contracts with Customers* effective 2019 financial year
- IFRS 16 *Leases* effective 2020 financial year
- IFRS 17 *Insurance Contracts* effective 2022 financial year (not yet endorsed by the EU)
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration* effective 2019 financial year
- IFRIC 23 *Uncertainty over Income Tax Treatments* effective 2020 financial year (endorsed by the EU October 2018)
- Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions* effective 2019 financial year
- Amendments to IFRS 3 *Definition of a Business* effective 2021 financial year (published October 2018, not yet endorsed by the EU)
- Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* effective 2019 financial year
- Amendments to IFRS 9 *Prepayment Features with Negative Compensation* effective 2020 financial year
- Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures* effective 2020 financial year (not yet endorsed by the EU)
- Annual improvements to IFRS Standards 2014-2016 effective 2019 financial year
- Annual improvements to IFRS Standards 2015-2017 effective 2020 financial year (not yet endorsed by the EU)

The three new standards with the most significant potential effect on the Company's financial statements are IFRS 9, IFRS 15 and IFRS 16, details of which are set out below. The impact of other standards effective in 2019 and beyond have not yet been fully assessed.

Notes (continued)

IFRS 9 Financial Instruments: Recognition and Measurement

IFRS 9 replaces IAS 39 and includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting.

The standard introduces changes to three key areas:

- New requirements for the classification and measurement of financial instruments;
- A new impairment model based on expected credit losses for recognising provisions; and
- Simplified hedge accounting through closer alignment with an entity's risk management methodology.

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

IFRS 15 Revenue from Contracts with Customers

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

IFRS 15 applies the following five-step approach to the timing of revenue recognition: identify the contract(s) with a customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contract; recognise revenue when (or as) the entity satisfies a performance obligation.

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

An impact assessment has been carried out at the level of both this and the parent company. The conclusion of these impact assessments was that the adoption of IFRS 15 will not have a significant impact on the company's results or financial position. The standard will be adopted without restating comparative information and no cumulative adjustment to recognise the impact of applying IFRS 15 as at 16 September 2018 is required.

IFRS 16 Leases

IFRS 16 introduces a new model for the identification of leases and accounting for lessors and lessees. It replaces IAS 17 Leases and will be adopted on 15 September 2019 and applied for the first time in the 2020 financial year.

IFRS 16 distinguishes leases from service contracts on the basis of control of an identified asset, removing for lessees the distinction between (off-balance sheet) operating leases and (on-balance sheet) finance leases and introducing a single model recognising a lease liability and corresponding right-of-use asset for all leases except for short-term leases and leases of low-value assets.

Notes (continued)

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

3 Turnover

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

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

| | 52 week period ended 15 September 2018 £000 | 52 week period ended 16 September 2017 £000 |
|---|--|--|
| Depreciation of tangible fixed assets | 8,306 | 7,430 |
| Amortisation | 637 | 866 |
| Hire of plant and machinery | 536 | 161 |
| - rentals payable under operating leases | | |
| Land and building payments under operating leases | 918 | 558 |
| Research and development | 6,326 | 6,449 |
| Auditor's remuneration – audit fees | 226 | 210 |
| - tax and other services | 2 | 10 |
| | <hr/> | <hr/> |

Notes (continued)

5 Directors and employees

The average weekly number of employees, including directors, of the Company during the period was 1,217 (2017: 1,157). The aggregate payroll costs of these persons were as follows:

| | 52 week period ended 15 September 2018 £000 | 52 week period ended 16 September 2017 £000 |
|--|--|--|
| Wages and salaries | 56,274 | 52,074 |
| Amounts receivable under long-term incentive plans | (206) | 697 |
| Social security costs | 6,645 | 6,119 |
| Pension costs | 5,610 | 5,027 |
| | 68,323 | 63,917 |

| | 52 week period ended 15 September 2018 £000 | 52 week period ended 16 September 2017 £000 |
|--|--|--|
| Directors' emoluments | 4,070 | 3,631 |
| Pension costs | 50 | 45 |
| Amounts receivable under long-term incentive plans | (206) | 697 |
| | 3,914 | 4,373 |

Of the directors' emoluments £1,085,000 (2017: £1,284,000) was paid by other group companies on behalf of AB Agri Limited. The aggregate emoluments of the highest paid director from emoluments and long-term incentive plans were £869,000 (2017: £1,284,000). This figure includes Company pension contributions of £29,000 (2017: £nil) that were made on their behalf.

Notes (continued)

5 Directors and employees (continued)

| | 52 week period ended 15 September 2018 Number | 52 week period ended 16 September 2017 Number |
|---|--|--|
| Retirement benefits are accruing to the following number of directors under defined benefit schemes and EFRBS where appropriate | 0 | 3 |
| Amounts were paid to the following number of directors under long-term incentive plans | 2 | 3 |
| | <hr/> | <hr/> |

6 Interest receivable and similar income

| | 52 week period ended 15 September 2018 £000 | 52 week period ended 16 September 2017 £000 |
|---|--|--|
| Interest receivable on loans to fellow group undertakings | 32 | 25 |
| | <hr/> | <hr/> |
| | 32 | 25 |
| | <hr/> | <hr/> |

7 Interest payable and similar charges

| | 52 week period ended 15 September 2018 £000 | 52 week period ended 16 September 2017 £000 |
|------------------------|--|--|
| Other interest payable | 381 | 309 |
| | <hr/> | <hr/> |
| | 381 | 309 |
| | <hr/> | <hr/> |

AB Agri Limited

Notes (continued)

8 Tax on profit on ordinary activities

Analysis of tax charge

| | 52 week period ended 15 September 2018 £000 | 52 week period ended 16 September 2017 £000 |
|--|---|---|
| <i>UK corporation tax</i> | | |
| Current tax on income for the period | 1,866 | 2,481 |
| Adjustment in respect of prior periods | (463) | (1,966) |
| | <hr/> | <hr/> |
| Total current tax (see below) | 1,403 | 515 |
| | <hr/> | <hr/> |
| <i>Deferred tax (see note 17)</i> | | |
| Reversal of timing differences | 145 | (60) |
| Effect of change in tax rate | (20) | 8 |
| Adjustment in respect of prior periods | (776) | 1,800 |
| | <hr/> | <hr/> |
| Total deferred tax | (651) | 1,748 |
| | <hr/> | <hr/> |
| Tax on profit on ordinary activities | 752 | 2,263 |
| | <hr/> | <hr/> |

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

Notes (continued)

8 Tax on profit on ordinary activities (continued)

Factors affecting the tax charge for the current period

The current tax charge for the period is lower than (2017: greater than) the standard rate of corporation tax in the UK 19.00% (2017: 19.54%).

| | 52 week period ended 15 September 2018 £000 | 52 week period ended 16 September 2017 £000 |
|--|---|---|
| <i>Current tax reconciliation</i> | | |
| Profit on ordinary activities before taxation | 10,239 | 11,444 |
| Current tax at 19.00% (2017: 19.54%) | 1,945 | 2,236 |
| <i>Effects of:</i> | | |
| Rate change | (15) | 8 |
| Expenses not deductible/(income not taxable) | 60 | 213 |
| Overseas withholding tax not recoverable | (13) | - |
| Profit/loss on exempt disposals | - | (28) |
| Adjustment to tax charge in respect of prior periods | (1,226) | (166) |
| Total current tax charge (see above) | 752 | 2,263 |

Factors affecting future tax charges

The UK corporation tax rate was reduced from 20% to 19% with effect from 1 April 2017, with a further reduction to 17% effective from 1 April 2020. The legislation to effect these rate changes had been enacted before the balance sheet date. Accordingly, UK deferred tax has been calculated using these rates as appropriate.

AB Agri Limited

Notes (continued)

9 Intangible assets

| | Goodwill | Intangible assets | Total |
|-----------------------------|---------------|----------------------|---------------|
| | £000 | £000 | £000 |
| Cost | | | |
| At beginning of period | 10,617 | 16,368 | 26,985 |
| Additions | - | 2,284 | 2,284 |
| Disposals | - | (11) | (11) |
| Reclass | - | (1,750) | (1,750) |
| | <hr/> | <hr/> | <hr/> |
| At end of period | 10,617 | 16,891 | 27,508 |
| | <hr/> | <hr/> | <hr/> |
| Amortisation | | | |
| At beginning of period | - | 12,909 | 12,909 |
| Charge for the period | - | 637 | 637 |
| Disposal | - | (11) | (11) |
| Reclass | - | (1,448) | (1,448) |
| | <hr/> | <hr/> | <hr/> |
| At end of period | - | 12,087 | 12,087 |
| | <hr/> | <hr/> | <hr/> |
| Net book value | | | |
| At 15 September 2018 | 10,617 | 4,804 | 15,421 |
| | <hr/> | <hr/> | <hr/> |
| At 16 September 2017 | 10,617 | 3,459 | 14,076 |
| | <hr/> | <hr/> | <hr/> |

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

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

The reclassification of cost and amortisation/depreciation from intangible assets to fixed assets was brought about by a review of the fixed asset module. This review led to a reclassification of assets between computer software and computer hardware.

AB Agri Limited

Notes (continued)

10 Tangible assets

| | Land and freehold buildings | Long leasehold buildings | Plant and machinery, fixtures and fittings, cars | Assets in the course of construction | Total |
|-----------------------------|-----------------------------------|--------------------------------|--|--|---------------|
| | £000 | £000 | £000 | £000 | £000 |
| <i>Cost</i> | | | | | |
| At beginning of period | 19,473 | 550 | 117,810 | 3,060 | 140,893 |
| Additions | 82 | - | 4,636 | 9,842 | 14,560 |
| Reclass | - | - | 1,750 | - | 1,750 |
| Disposals | (1) | - | (3,904) | - | (3,905) |
| Transfers | - | - | 531 | (531) | - |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| At end of period | 19,554 | 550 | 120,823 | 12,371 | 153,298 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| <i>Depreciation</i> | | | | | |
| At beginning of period | 9,244 | 539 | 67,177 | - | 76,960 |
| Charge for the period | 495 | 9 | 7,802 | - | 8,306 |
| Reclass | - | - | 1,448 | - | 1,448 |
| Disposals | - | - | (2,650) | - | (2,650) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| At end of period | 9,739 | 548 | 73,777 | - | 84,064 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| <i>Net book value</i> | | | | | |
| At 15 September 2018 | 9,815 | 2 | 47,046 | 12,371 | 69,234 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| At 16 September 2017 | 10,229 | 11 | 50,633 | 3,060 | 63,933 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |

The reclassification of cost and amortisation/depreciation from intangible assets to fixed assets was brought about by a review of the fixed asset module. This review led to a reclassification of assets between computer software and computer hardware.

AB Agri Limited

Notes (continued)

11 Investments

| | Shares in group undertakings £000 |
|------------------------|---|
| Cost | |
| At beginning of period | 19,289 |
| Additions | <u>3,181</u> |
| At end of period | <u>22,470</u> |

During the period the Company acquired Spectrum Aviation Limited, an aerial survey and informatics company. The purchase was made to expand the company's offering into this area. The investment addition comprises an initial consideration of £1,181,000 and a contingent consideration of £2,000,000. Transactions costs relating to the purchase have been expensed and are included in admin expenses, while the results of Spectrum Aviation Limited are maintained within separate statutory accounts.

The Company has a 100% interest in the following subsidiary companies, all of which are registered in England and Wales:

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

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

12 Capital commitments

Capital commitments at the end of the financial period, for which no provision has been made, amounted to £779,000 (2017: £7,503,000).

AB Agri Limited

Notes (continued)

13 Stocks

| | 15 September 2018 £000 | 16 September 2017 £000 |
|-------------------------------------|------------------------------|------------------------------|
| Raw materials and consumables | 17,115 | 16,668 |
| Finished goods and goods for resale | 5,590 | 4,547 |
| | <u>22,705</u> | <u>21,215</u> |

14 Debtors

| | 15 September 2018 £000 | 16 September 2017 £000 |
|------------------------------------|------------------------------|------------------------------|
| Trade debtors | 139,741 | 120,747 |
| Amounts owed by group undertakings | 11,659 | 15,279 |
| Other debtors | 163 | 236 |
| Prepayments and accrued income | 19,079 | 14,327 |
| | <u>170,642</u> | <u>150,589</u> |

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

15 Creditors – amounts falling due within one year

| | 15 September 2018 £000 | 16 September 2017 £000 |
|------------------------------------|------------------------------|------------------------------|
| Trade creditors | 71,791 | 57,182 |
| Amounts owed to group undertakings | 13,872 | 10,021 |
| Corporation tax | 424 | 2,086 |
| Other creditors | 118 | 302 |
| Accruals and deferred income | 29,763 | 23,217 |
| | <u>115,968</u> | <u>92,808</u> |

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

AB Agri Limited

Notes (continued)

16 Creditors – amounts falling due after one year

| | 15 September 2018 £000 | 16 September 2017 £000 |
|------------------------------------|------------------------------|------------------------------|
| Amounts owed to group undertakings | 41,118 | 42,610 |

17 Provision for liabilities and charges

| | Deferred tax £000 |
|---|----------------------|
| At 16 September 2017 | 4,116 |
| Charge to the profit and loss account | (651) |
| Charge relating to other comprehensive income | 9 |
| At 15 September 2018 | 3,474 |

| | 15 September 2018 £000 | 16 September 2017 £000 |
|-------------------------------------|------------------------------|------------------------------|
| Deferred taxation | | |
| <i>Analysis by component:</i> | | |
| Accelerated capital allowances | 3,200 | 3,793 |
| Deferred tax on hedging reserve | 11 | 2 |
| Other short-term timing differences | 263 | 321 |

18 Called up share capital

| | 15 September 2018 £000 | 16 September 2017 £000 |
|--|------------------------------|------------------------------|
| Issued and fully paid | | |
| 102,000,000 ordinary shares of £1 each (2017:102,000,000) | 102,000 | 102,000 |

AB Agri Limited

Notes (continued)

19 Share-based payments

The Company had the following principal equity-settled share-based payment plans in operation during the period:

Associated British Foods Executive Share Incentive Plan 2003 ('the Share Incentive Plan')

The Share Incentive Plan was approved and adopted by Associated British Foods plc at the annual general meeting held on 5 December 2003. 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 Share Incentive Plan expired in December 2013, with the last grant of allocations made in November 2013. The last allocations made under the Share Incentive Plan either vested or lapsed during the year and it is now closed.

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.

Details of the shares outstanding under the equity-settled share-based payment plan are as follows:

| | 15 September 2018 No of shares |
|--|---|
| Balance outstanding at 16 September 2017 | 226,711 |
| Awarded this period | 108,636 |
| Vested | (71,025) |
| Lapsed | (54,829) |
| Balance outstanding at 15 September 2018 | 209,493 |

Fair values

The weighted average fair value of conditional grants made was determined by taking the market price of the shares at the time of grant and discounting for the fact that dividends are not paid during the vesting period.

The weighted average fair value of the conditional shares allocated during the year was 2,800 pence (2017: 2,449 pence) and the weighted average share price was 3,010 pence (2017: 2,633 pence). The dividend yield used was 2.5% (2017: 2.5%).

The Company recognised a total equity-settled share-based payment credit of £206,000 during the period (2017: payment expense of £697,000).

AB Agri Limited

Notes (continued)

20 Contingent liabilities

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

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

21 Contingencies

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

As at 15 September 2018, the Company has provided guarantees in the ordinary course of business amounting to £50m (2017: £50m).

22 Commitments

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

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

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

| | 15 September 2018 | | 16 September 2017 | |
|--------------------------------|-------------------------------|-------------------------|-------------------------------|-------------------------|
| | Land and buildings £000 | Other assets £000 | Land and buildings £000 | Other Assets £000 |
| Operating leases which expire: | | | | |
| Within one year | 924 | 611 | 359 | 131 |
| Between two and five years | 2,948 | 671 | 1,135 | 194 |
| After five years | 4,626 | - | 3,340 | 9 |
| | <u>8,498</u> | <u>1,282</u> | <u>4,834</u> | <u>334</u> |

AB Agri Limited

Notes (continued)

23 Pension costs

The Company is a member of the Associated British Foods Pension Scheme which provides benefits based on final pensionable pay. Because the Company is unable to identify its share of the scheme's assets and liabilities on a consistent basis, as permitted by IAS 19 the scheme is accounted for by the Company as if it were a defined contribution scheme. On 30 September 2002 the scheme was closed to new members and a defined contribution arrangement was put in place for other employees. For the defined contribution scheme, the pension costs are the contributions payable.

The most recent triennial funding valuation of the Scheme was carried out as at 5 April 2017, using the current unit method, and revealed a surplus of £176m. The market value of the Scheme assets was £3,789m, representing 105% of members' accrued benefits after allowing for expected future salary increases.

Full IAS 19 disclosures can be found within the financial statements of Associated British Foods plc, which may be obtained from Associated British Foods plc, Weston Centre, 10 Grosvenor Street, London, W1K 4QY. These financial statements are also available for download from the group's website at www.abf.co.uk.

The combined contribution to the defined benefit and defined contribution sections of the Associated British Foods Pension Scheme for the year was £5,610,000 (2017: £5,027,000).

24 Related party transactions

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

| | 2018 | 2017 |
|--|----------------|---------|
| | £000 | £000 |
| Sales (on normal trading terms) | 487 | 589 |
| Purchases (on normal trading terms) | 184,682 | 165,131 |
| Amounts due from related parties (on normal trading terms) | 365 | 9 |
| Amounts due to related parties (on normal trading terms) | 21,820 | 16,990 |

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

Notes *(continued)*

25 Holding company

The immediate holding company is A.B.F. Holdings Limited, a company registered in England and Wales. The ultimate holding company is Wittington Investments Limited which is incorporated in Great Britain and registered in England and Wales.

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