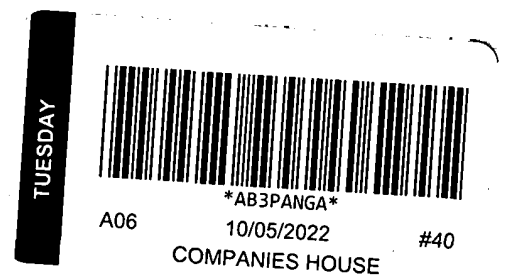


AB Agri Limited
Annual report and financial statements
For the year ended
31st August 2021

Registered no: 00193800



AB Agri Limited

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AB Agri Limited

Directors and other information

Directors

S Gurvis
JJ Nobre
SM Heath
JK Hoopes
P Martel
IJ Wellock

Secretary

R S Schofield – resigned 24/12/2020
R Cahill – appointed 11/01/2021

Registered office

Weston Centre
10 Grosvenor Street
London
W1K 4QY
United Kingdom

Auditor

Ernst & Young LLP
400 Capability Green
Luton
Bedfordshire
LU1 3LU

Company registration number

00193800

AB Agri Limited

Strategic report

Business review

Trading at AB Agri was ahead of last year with revenue increasing by 10%. The revenue growth was delivered by higher commodity prices and an increase in feed volumes. Growth was notable in our UK feed business AB Connect and in AB Neo, which specialises in feed for animals in the early stages of life. For more details see the Directors' Report.

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

Research and development

The Company continued its expenditure on research and development with expenditure during the period of £5,739,000 (2020: £5,425,000).

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.

Interest rate risk represents the risk of rates increasing causing a higher charge in the Statement of comprehensive income. The company holds no external loans and therefore the risk is mitigated. Interest costs are limited to those charged via intercompany transactions and therefore the wider ABF group has control over this risk.

Foreign currency risk is the risk of a significant impact due to fluctuations in foreign exchange rates. The company operates in numerous countries and the risk is mitigated by hedging via forward contracts when there is a large transaction in foreign currency. This is conducted within a clearly defined framework of board-approved policies and guidelines to manage the risk.

The business was well prepared for the end of the Brexit transition period and we have seen no material disruption to our supply chains.

AB Agri Limited

Strategic report *(continued)*

Engaging with our stakeholders – Section 172 Statement

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

The Company is a subsidiary of Associated British Foods plc and, as such, the Company has adopted and directors have due regard to applicable group policies and procedures which impact on the Company's stakeholders, including those referred to on page 74 of the Associated British Foods plc Annual Report and Accounts 2021. Please also see the Associated British Foods plc Section 172 Statement on pages 65 to 71 of that document.

Stakeholders and engagement

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

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

Employees

The Company employs 1,348 people. Our people are central to the Company's success and employee engagement is crucial to embedding our Company culture and values, and to helping our people see how their efforts contribute to their Company's strategic objectives. Key issues include health and safety, diversity and inclusion, and engagement and development. During the reporting period, the Company undertook regular engagement surveys, provided leadership updates, provided regular internal communications (such as emails, intranet or magazines), Health & Safety programmes, Town halls and training. The directors review the outcome of these communications annually to focus resources on the areas where improvement would derive the most benefit for our people.

AB Agri Limited

Strategic report *(continued)*

Suppliers

Our Supplier Code of Conduct, which applies to all companies in the Associated British Foods group and which can be found on the Associated British Foods website, sets out our values and standards on how we work and engage with our suppliers on ethical, environmental and other relevant matters including on key issues such as payment practices, responsible sourcing, supply chain sustainability and human rights and modern slavery. The Company engaged with suppliers through regular conversations both virtually and face-to-face.

Customers

As well as providing products/services that are great value for money, the physical health and safety of our customers is a paramount importance to the Company. Other key issues include availability of products, impact on the environment, and customer relations. The Company engages with its customers through customer surveys, labelling, social media, and customer information lines, ensuring their feedback is properly considered.

The Board is regularly updated by each business division on key customers and key issues impacting customers and consumers. The Company is also considering customer needs by continuing to keep people fed by implementing safety measures to keep production sites open and operating safely during the pandemic and by careful planning and scheduling of customer orders.

Communities and Environment

Supporting society and respecting the environment are two of the key ways we live our values and make a difference. The Company has a target zero initiative and is committed to seeking sustainable solutions to environmental challenges and adapting our operations to respond to changes in the natural environment.

To achieve these goals the Company is acting on climate change and is working hard to reduce energy use, reduce greenhouse gas emissions, manage waste, improve water management, using environment-friendly packaging and reducing or eliminating use of single-use plastic where possible.

Governments

The Company can be impacted by changes in laws and public policy including issues such as COVID-19, the implications arising from the UK's withdrawal from the EU, tax and business rates, climate and environmental matters. To mitigate the Company's exposure to such risks the directors engage with government authorities either directly, or through being part of the broader Associated British Foods group, to contribute to, and anticipate, important changes in public policy.

AB Agri Limited

Strategic report *(continued)*

Governments *(continued)*

The Board is briefed on engagement with governments including on matters specifically related to dealing with the impacts of COVID-19. The Board considers the interplay between commercial decisions and government policies and aims.

Shareholders

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

Other ABF group entities

The Company forms part of the group of companies headed by Associated British Foods plc and the Company's accounts are consolidated into the Associated British Foods plc accounts. Group companies can provide financial and other support to the Company and the sharing of best practice and know-how between the businesses within the broader group is actively encouraged.

Principal decisions

Below are some examples of the principal decisions taken during the year, how the directors considered stakeholder views/interests and how such consideration impacted on decision-making.

COVID-19 impact

The ongoing impact of COVID-19 for much of the financial year has meant that the principal decisions of the Company (and the Group as a whole) have often related to mitigating the adverse effects of COVID-19. However, learnings from handling the pandemic in the last financial year meant that other important decisions could also be taken. As was the case for the previous financial year, there was a need to ensure that the consequences of decisions were the right thing for promoting the long-term success of the Company, as well as having regard to maintaining a reputation for high standards of business conduct.

Protecting our workforce

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

AB Agri Limited

Strategic report (continued)

Decision to build a state-of-the-art animal feed mill in the East of England

The Company's pig and poultry animal feed business announced, in February 2021, its intention to build a state-of-the-art animal feed mill in the east of England, which would provide much needed capacity to meet customer demand and would also help ensure consistent quality. In deciding to build the mill, the directors took into account the views of customers and their long-term ambitions for growth. The Company also liaised with local government for planning permission.

Decision to launch an animal neonate specialist business, AB Neo

In September 2020, the Company launched a specialist neonate nutrition business – AB Neo – which focuses on the essential and very particular needs of young farm animals. In deciding to launch the business, the views of customers were taken into account, with customers wanting to provide the best start in life for their animals, in turn helping the animals to be healthy and productive. The Company, under the guidance of the directors, continues to work with farmers and customers to improve how it sources ingredients sustainably and how it produces healthy, safe and environmentally responsible animal protein.

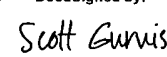
Key performance indicators

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

| | Year ended 31 st August 2021 | Year ended 31 st August 2020 | Increase/ (Decrease) |
|---|---|---|-------------------------|
| Turnover £000 | 955,244 | 866,383 | 88,861 |
| Operating loss before amortisation £000 | (430) | (3,731) | 3,301 |
| ROCE | (1.0%) | (3.7%) | 2.7% |
| Debtor days | 49 | 49 | - |

On behalf of the board

S Gurvis
Director

DocuSigned by:

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Date: 06 May 2022

AB Agri Limited

Directors' report

The directors present their Directors' report and the audited financial statements for the year ended 31st August 2021.

Principal activities

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

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

The outstanding trade creditors at the balance sheet date, as a proportion of payments to suppliers during the period, represents 26 days purchases (2020: 31 days).

Future developments

We are focused on inspiring excellence in the way the agricultural industry produces food for people and animals, pioneering ways to build a more responsible food chain. Global population growth means higher demand for food, including meat and dairy and there is a growing need to feed more animals. Doing this in ways that reduce environmental pressures is important for us all. We have an exciting opportunity to help our customers achieve this and we have clear ambitions. This includes creating value from reducing waste, investing in ways of producing proteins more sustainably, improving the gut health of animals and being smart in the way we use technology, innovating constantly and, through our people, driving valuable farm management insight for our customers.

Future aims include growing internationally, rolling out our AB Agri business platform into other countries, expanding our sphere of influence and becoming a leading player in more countries, increasing our profit from outside of the UK. We aim to inspire and empower our people, ensuring we have a culture in which we all thrive.

Dividend

The directors do not recommend the payment of a dividend in respect of the current financial period (2020: £nil).

AB Agri Limited

Directors' 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 wholly owned subsidiary, are disclosed on pages 88 to 94 of the 2021 Annual Report, which is available at www.abf.co.uk.

Brexit

The business was well prepared for the end of the Brexit transition period and we have seen no material disruption to the business.

COVID-19

COVID-19 has resulted in increased volatility and uncertainty in almost all of our markets, particularly the UK, Europe, and the US, where there is a high risk of inflation impacting on energy, commodities, and wages. During the year, changes in public health measures in our major markets to control the spread of COVID-19, and the Delta variant in particular, have impacted both our customers and employees. Whilst the UK now has an advanced vaccination programme and the majority of COVID-19 restrictions have been lifted, the outlook is currently more mixed in a number of countries in which we operate.

As the world starts to emerge from the COVID-19 pandemic, there are continuing impacts on our consumers, customers, retailers, suppliers and our employees. There is the risk of increased pressure on the supply chains resulting from labour shortages as economies reopen which are exacerbated by employee health and safety concerns. The closure of the Suez Canal in March 2021 compounded some supply chain challenges that resulted from the pandemic and increased buying as economies have reopened. We have contracts in place for major parts of our business to ensure that we have the cost, stability, and interim security of volumes in the volatile inbound market.

Our businesses are reliant on the availability of skilled HGV drivers. Whilst there is currently a shortage of drivers in other parts of Europe, the situation has been exacerbated in the UK as a result of the EU exit. We continue to work closely with our major carriers and logistics partners to minimise supply chain disruption. The situation remains fluid and is being closely managed and monitored.

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

Uncertainty as to the length of the pandemic and the related measures to combat it mean that the 2022 full year impact cannot yet be known.

AB Agri Limited

Directors' report *(continued)*

Going concern

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

After making due enquiries and considering the impact of COVID-19 and the support available from the intermediate parent company described above, the directors have a reasonable expectation that the Company has adequate resources to continue in operation to 6th May 2023. These considerations included the impact of COVID-19 on the wider ABF group, the ABF group's directors' assessment of going concern (set out in the Interim Results Announcement dated 26 April 2022 and available at www.abf.co.uk), which included the significant levels of cash and undrawn committed long-term facilities available to the group and the ABF group's directors' stress testing of cash flow forecasts through to September 2023, 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.

Directors and directors' interests

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

I J Wellock
J I F Llarena – resigned 11/01/2021
R G Cooper – resigned on 11/01/2021
S M Heath
J J Nobre
S Gurvis
J K Hoopes
P Martel

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

Political and charitable contributions

The Company made no political contributions during the current or preceding financial periods. Donations to UK charities amounted to £8,000 (2020: £48,000).

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 directors' reviews these at least annually, as does the board of Associated British Foods plc.

Engagement with employees

See page 4 in the strategic report for information on how the directors have engaged with employees in the UK, have had regard to employee interests and the effect of that regard on the Company's principal decisions.

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

See pages 4 to 6 in the strategic report for information on how the directors have had regard to the need to foster the Company's business relationships with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the Company during the year.

Streamlined Energy and Carbon Reporting

In compliance with UK reporting requirements (Streamlined Energy and Carbon Reporting), the directors provide the Company's UK energy and greenhouse emissions data in the table below. The period for which the information is reported (namely 1 August 2020 to 31 July 2021) is different from the period in respect of which the directors' report is prepared as the information for the period 1 August 2020 to 31 July 2021 has been externally assured. The principal energy efficiency measures to reduce our carbon emissions this year included entering into the Zemo Partnership (formerly The Low Carbon Vehicle Partnership), a public-private membership to accelerate the adoption of low carbon vehicles and fuels. We are looking to move our 120-specialist vehicle fleet to lower carbon alternatives to diesel and to support the migration of the transport industry to lower distribution emissions.

AB Agri has launched a new responsibility programme with a commitment to be a net zero business by 2030 and to help our customers achieve a sustainable net zero industry by 2040. This is supported by a group-wide programme building upon existing work in AB Agri which includes our site in South Milford, North Yorkshire operating an anaerobic digester (AD) plant. The AD plant is designed to take 60,000T of blended food and green waste per annum. The site is producing the equivalent of over 70% of the gas usage for our UK operations, replacing the use of fossil fuels. It is also a gas to grid plant, enabling methane to be injected directly into the gas network for maximum carbon efficiency.

AB Agri Limited

Directors' report (continued)

Streamlined Energy and Carbon Reporting (continued)

We are also investing in a new boiler and combined heat and power (CHP) plant at our site in Northallerton. When it comes on stream in 2022, this investment will reduce the sites' carbon emissions through the use of waste heat in the boiler to provide the site's required heat demand and reduced demand for imported electricity.

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

| Type | 2021 | 2020 |
|--|---------------------------|---------------------------|
| Scope 1 emissions | 43,333 tCO ₂ e | 45,613 tCO ₂ e |
| Scope 2 emissions | 12,967 tCO ₂ e | 15,088 tCO ₂ e |
| Energy use | 178,567,917 kWh | 183,932,182 kWh |
| Emissions intensity (scopes 1 and 2 emissions) per £1m revenue | 59.1 tCO ₂ e | 98.30 tCO ₂ e |

We report our GHG inventory using the WRI/WBCSD GHG Protocol Corporate Accounting and Reporting Standard Revised Edition as our framework for calculations and disclosure. We use carbon conversion factors published by the UK's Department for Business, Energy and Industrial Strategy ("BEIS") in June 2021, other internationally recognised sources, and bespoke factors based on laboratory calculations at selected locations. This includes all activities where we have operational control.

Post balance sheet events

There have been no other significant events since the balance sheet date which would require disclosure in or adjustment to the financial statements.

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

S Gurvis

Director

Date: 06 May 2022

DocuSigned by:

Scott Gurvis

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

AB Agri Limited

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable United Kingdom 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 international accounting standards in conformity with the requirements of the Companies Act 2006, including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

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 in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in FRS 101, is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group and company financial position and financial performance;
- state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AB AGRI LIMITED

Opinion

We have audited the financial statements of AB Agri Limited for the year ended 31 August 2021 which comprise the Income statement, Statement of comprehensive income, Balance sheet, 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, 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 31 August 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period to 6 May 2023.

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

Other information

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

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

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

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AB AGRI LIMITED *(Continued)*

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 13, 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.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AB AGRI LIMITED (Continued)

Auditor's responsibilities for the audit of the financial statements (continued)

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (International Accounting Standards in conformity with the requirements of the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice and the Companies Act 2006) and the relevant tax laws and regulations in the jurisdictions in which the Company operates.
- We understood how the Company is complying with those frameworks by observing the oversight of those charged with governance, the culture of honesty and ethical behaviour and whether a strong emphasis is placed on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by meeting with key finance personnel to understand where it considered there was susceptibility to fraud. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from material fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved: journal entry testing, with a focus on manual revenue journals and journals indicating large or unusual transactions based on our understanding of the business, enquiries with group management and divisional management, challenging the judgements made by management through corroborating the basis for those judgments and considering contradicting evidence and reading financial statement disclosures.

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

Use of our report

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

Ernst & Young LLP

Anup Sodhi (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Luton
Date **6 May 2022**

AB Agri Limited

Income statement for the year ended 31st August 2021

| | Note | Year ended 31 August 2021 £000 | Year ended 31 August 2020 £000 |
|---|------|---|---|
| Turnover | 3 | 955,244 | 866,383 |
| Cost of sales | | (861,884) | (774,008) |
| Gross profit | | 93,360 | 92,375 |
| Distribution costs | | (56,818) | (57,702) |
| Administrative expenses | | (36,972) | (38,404) |
| Amortisation | | (1,069) | (978) |
| Operating loss | 4 | (1,499) | (4,709) |
| (Loss)/Profit on disposal of fixed assets | | (22) | 769 |
| Profit on business investment | | - | 175 |
| Interest receivable and similar income | 6 | 21 | 39 |
| Interest payable and similar charges | 7 | (275) | (667) |
| Loss on ordinary activities before taxation | | (1,775) | (4,393) |
| Tax on loss on ordinary activities | 8 | (1,251) | (1,609) |
| Loss for the financial year | | (3,026) | (6,002) |

All operations were continuing in the current and prior period. The notes on pages 22 to 44 form part of these financial statements.

AB Agri Limited

Statement of comprehensive income for the year ended 31st August 2021

| | Year ended 31 August 2021 £000 | Year ended 31 August 2020 £000 |
|--|---|---|
| Loss for the financial year | (3,026) | (6,002) |
| Movement in cash flow hedging position | 367 | (162) |
| Total comprehensive loss for the financial year | (2,659) | (6,164) |

The notes on pages 22 to 44 form part of these financial statements.

AB Agri Limited

Balance sheet**at 31st August 2021**

| | Note | 31 August 2021 | | 31 August 2020 | |
|--|------|----------------|----------------|----------------|----------------|
| | | £000 | £000 | £000 | £000 |
| Fixed assets | | | | | |
| Intangible assets | 9 | 19,935 | | 17,794 | |
| Right-of-use assets | 10 | 8,126 | | 9,161 | |
| Tangible assets | 11 | 67,759 | | 70,805 | |
| Investments | 12 | 25,325 | | 25,325 | |
| | | | <u>121,145</u> | | <u>123,085</u> |
| Current assets | | | | | |
| Stocks | 14 | 25,913 | | 20,978 | |
| Debtors | 15 | 144,719 | | 138,478 | |
| Cash at bank and in hand | | 642 | | 669 | |
| | | <u>171,274</u> | | <u>160,125</u> | |
| Current liabilities | | | | | |
| Creditors - due within one year | 16 | (100,133) | | (93,140) | |
| Lease Liability | 10 | (1,027) | | (1,503) | |
| | | <u></u> | | <u></u> | |
| Net current assets | | | <u>70,114</u> | | <u>65,482</u> |
| Total assets less current liabilities | | | <u>191,259</u> | | <u>188,567</u> |
| Creditors - due after one year | 17 | (48,369) | | (43,437) | |
| Lease liabilities | 10 | (7,278) | | (7,777) | |
| Provision for liabilities and charges | 18 | (4,301) | | (3,457) | |
| | | <u></u> | | <u></u> | |
| Net assets | | | <u>131,311</u> | | <u>133,896</u> |
| Capital and reserves | | | | | |
| Called up share capital | 19 | 102,000 | | 102,000 | |
| Capital contribution reserve | 19 | 6,548 | | 6,474 | |
| Profit and loss account | | 22,566 | | 25,592 | |
| Hedging reserve | 19 | 197 | | (170) | |
| | | <u></u> | | <u></u> | |
| Shareholders' funds | | | <u>131,311</u> | | <u>133,896</u> |

Company registered number: 00193800

The notes on pages 22 to 44 form part of these financial statements. These financial statements were approved by the board of directors on 6th May 2022 and were signed on its behalf by:

S Gurvis
Director

DocuSigned by:
Scott Gurvis
EA1E2E1747504AC...

AB Agri Limited

Statement of changes in equity
for the year ended 31st August 2021

| | Note | Share capital £000 | Capital contribution reserve £000 | Profit and loss account £000 | Hedging reserve £000 | Total £000 |
|---|------|--------------------------|--|------------------------------------|----------------------------|----------------|
| At 1 September 2019 | | 102,000 | 5,873 | 31,735 | (8) | 139,600 |
| Loss for the year | | - | - | (6,002) | - | (6,002) |
| IFRS 16 adjustment | | - | - | (141) | - | (141) |
| Other hedge movement | | - | - | - | (162) | (162) |
| Total comprehensive loss | | - | - | (6,143) | (162) | (6,305) |
| Share-based payment expense for the year | 20 | - | 601 | - | - | 601 |
| At 31 August 2020 | | 102,000 | 6,474 | 25,592 | (170) | 133,896 |
| At 1 September 2020 | | 102,000 | 6,474 | 25,592 | (170) | 133,896 |
| Loss for the year | | - | - | (3,026) | - | (3,026) |
| Other hedge movement | | - | - | - | 367 | 367 |
| Total comprehensive loss | | - | - | (3,026) | 367 | (2,659) |
| Share-based payment expense for the year | 20 | - | 74 | - | - | 74 |
| At 31 August 2021 | | 102,000 | 6,548 | 22,566 | 197 | 131,311 |

The notes on pages 22 to 44 form part of these financial statements.

AB Agri Limited

Notes

(forming part of the financial statements)

1 Authorisation of financial statements

The financial statements of AB Agri Limited (the "Company") for the period ended 31st August 2021 were authorised for issue by the board of directors on 6th May 2022 and the balance sheet was signed on the board's behalf by S Gurvis. AB Agri Limited is a private company limited by shares and is incorporated and domiciled in England and Wales. Its registered office is Weston Centre, 10 Grosvenor Street, London, W1K 4QY.

2 Accounting policies

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

Basis of preparation

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

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

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

- a) the requirements of IFRS 2 *Share-based Payment* because the share-based payment arrangement concerns the instruments of another group entity;
- b) the requirements of IFRS 7 *Financial Instruments: Disclosures*;
- c) the requirement of IAS 1 *Presentation of Financial Statements* to present comparative information of IAS 1, IAS 16 and IAS 38;
- d) the requirements of IAS 7 *Statement of Cash Flows*;
- e) the requirements of paragraph 17 of IAS 24 *Related Party Disclosures*; and
- f) the requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

AB Agri Limited

Notes *(continued)*

2 Accounting policies *(continued)*

COVID-19

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

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

Uncertainty as to the length of the pandemic and the related measures to combat it mean that the 2022 full year impact cannot yet be known.

Going concern

As set out in note 24, the smallest group in which the results of the company are consolidated is that headed by Associated British Foods plc, which confirmed in its Annual Report dated 9 November 2021 that its directors have a reasonable expectation that the Associated British Foods plc group has adequate resources to continue in operational existence for the foreseeable future.

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

After making due enquiries and considering the impact of COVID-19 and the support available from the intermediate parent company described above, the directors have a reasonable expectation that the Company has adequate resources to continue in operation to 6th May 2023. These considerations included the impact of COVID-19 on the wider ABF group, the ABF group's directors' assessment of going concern (set out in the Interim Results Announcement dated 26 April 2022 and available at www.abf.co.uk), which included the significant levels of cash and undrawn committed long-term facilities available to the group and the ABF group's directors' stress testing of cash flow forecasts through to September 2023, 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.

AB Agri Limited

Notes *(continued)*

2 Accounting policies *(continued)*

Fixed assets and depreciation

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

| | |
|---|----------------|
| Freehold buildings | up to 66 years |
| Plant, machinery, fixtures and fittings | up to 20 years |
| Leasehold | up to 50 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.

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease, which is the date the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for subsequent remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. Right-of-use assets are subject to impairment. Right-of-use assets are subsequently measured at cost less accumulated depreciation and any impairment losses, adjusted for any remeasurement of the lease liability.

AB Agri Limited

Notes *(continued)*

2 Accounting policies *(continued)*

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease and are measured at the present value of lease payments to be made over the lease term, discounted using the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. Lease payments include fixed payments, including in-substance fixed payments, and variable lease payments that depend on an index or a rate, less any lease incentives receivable.

Variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs. After the commencement date of the lease, the lease liability is subsequently measured at amortised cost using the effective interest rate method. The carrying amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured when there is a change in future lease payments due to a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

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

Research and development

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

Stocks

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

AB Agri Limited

Notes *(continued)*

2 Accounting policies *(continued)*

Trade and other receivables

Trade and other receivables are recorded initially at fair value and subsequently measured at amortised cost. This generally results in their recognition at nominal value less an allowance for any doubtful debts. The allowance for doubtful debts is recognised based on management's expectation of losses without regard to whether an impairment trigger happened or not (an "expected credit loss" model).

Trade Payables

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

Taxation

Corporation tax payable is provided on taxable profits at the prevailing rate. Current tax assets and liabilities are measured at the amount expected to be recovered from, or paid to, the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Foreign currencies

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

AB Agri Limited

Notes *(continued)*

2 Accounting policies *(continued)*

Investments

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

Retirement benefits

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

Share-based payments

The Associated British Foods plc group operates a share incentive plan which allows employees to receive allocations of shares subject to the attainment of certain financial performance criteria, typically over a three-year performance period. The fair value of the shares to be awarded is recognised as an employee expense by the Company, with a corresponding increase in reserves as a capital contribution. The fair value is measured at grant date and charged to the profit and loss account over the period during which the employee becomes unconditionally entitled to the shares. The fair value of the shares allocated is measured taking into account the terms and conditions of the share incentive plan under which the shares were allocated. The amount recognised as an expense is adjusted to reflect the actual number of shares that vest.

Intangible assets

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

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

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

AB Agri Limited

Notes *(continued)*

2 Accounting policies *(continued)*

Intangible assets *(continued)*

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

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

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

Accounting estimates and judgements

In applying the accounting policies detailed on pages 22 to 29, the directors have made estimates in a number of areas. The actual outcome may differ from those estimates. Key sources of estimation uncertainty at the balance sheet date, with the potential for material adjustment to the carrying value of assets and liabilities within the next financial year, are set out below.

Impairment risk associated with COVID-19

The global spread of COVID-19 began in the first half of the 2020 financial year and continues to the date of these financial statements. The Company has specifically considered the impact of COVID-19 in performing its year end assessment of impairment risk.

AB Agri Limited

Notes *(continued)*

2 **Accounting policies** *(continued)*

Forecasts

The carrying values of several items on the balance sheet are dependent on estimates of future cash flows arising from the Group's operations. 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. The realisation of deferred tax assets is dependent on the generation of sufficient future taxable profits.

The Group recognises deferred tax assets to the extent that it is considered probable that sufficient taxable profits will be available in the future. The judgement as to whether to recognise deferred tax assets is based on the following year's budget and expectations of the future performance of the business. Particular focus has been given to the potential impact of COVID-19 on the recoverability of deferred tax assets. Deferred tax assets are reduced to the extent that it is no longer considered probable that the related tax benefit will be realised.

3 **Turnover**

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

AB Agri Limited

Notes (continued)

4 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

| | Year ended 31 August 2021 £000 | Year ended 31 August 2020 £000 |
|---|---|---|
| Depreciation of tangible fixed assets (Note 11) | 10,516 | 10,099 |
| Amortisation (Note 9) | 1,069 | 978 |
| Depreciation of right-of-use assets (Note 10) | 1,318 | 1,548 |
| Short-term and low value leases | 28 | 152 |
| Research and development | 5,739 | 5,425 |
| Auditor's remuneration for audit fee | 269 | 249 |

5 Directors and employees

The average weekly number of employees, including directors, of the Company during the period was 1,348 (2020: 1,328). The aggregate payroll costs of these persons were as follows:

| | Year ended 31 August 2021 £000 | Year ended 31 August 2020 £000 |
|--|---|---|
| Wages and salaries | 65,361 | 62,495 |
| Amounts receivable under long-term incentive plans (note 20) | 74 | 601 |
| Social security costs | 7,671 | 6,832 |
| Pension costs (note 22) | 6,235 | 5,846 |
| | 79,341 | 75,774 |

AB Agri Limited

Notes (continued)

5 Directors and employees (continued)

The aggregate emoluments of the highest paid director from emoluments and long-term incentive plans were £1,360,000 (2020: £1,682,000). This figure includes Company pension contributions of £nil (2020: £nil) that were made on their behalf.

| | Year ended 31 August 2021 £000 | Year ended 31 August 2020 £000 |
|--|---|---|
| Directors' emoluments | 3,643 | 4,721 |
| Pension costs | 73 | 71 |
| Compensation for loss of office | - | 373 |
| Amounts receivable under long-term incentive plans | 74 | 601 |
| | <u>3,790</u> | <u>5,766</u> |

| | Year ended 31 August 2021 Number | Year ended 31 August 2020 Number |
|--|---|---|
| Amounts were paid to the following number of directors under long-term incentive plans | 2 | - |
| | <u>2</u> | <u>-</u> |

6 Interest receivable and similar income

| | Year ended 31 August 2021 £000 | Year ended 31 August 2020 £000 |
|---|---|---|
| Interest receivable on loans to fellow group undertakings | 21 | 39 |
| | <u>21</u> | <u>39</u> |

AB Agri Limited

Notes (continued)

7 Interest payable and similar charges

| | Year ended 31 August 2021 £000 | Year ended 31 August 2020 £000 |
|--|---|---|
| Other interest payable | 247 | 629 |
| Interest expense from leases (Note 10) | 28 | 38 |
| | <u>275</u> | <u>667</u> |

8 Tax on loss on ordinary activities

Analysis of tax charge

| | Year ended 31 August 2021 £000 | Year ended 31 August 2020 £000 |
|--|---|---|
| <i>UK corporation tax</i> | | |
| Current tax on income for the year | 294 | 898 |
| Adjustment in respect of prior year | 186 | 487 |
| Total current tax | <u>480</u> | <u>1,385</u> |
| <i>Deferred tax (see note 18)</i> | | |
| Reversal of timing differences | 803 | 240 |
| Effect of change in tax rate | (79) | (9) |
| Adjustment in respect of prior periods | 48 | (8) |
| Total deferred tax | <u>772</u> | <u>223</u> |
| Tax on loss on ordinary activities | <u>1,251</u> | <u>1,609</u> |

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

AB Agri Limited

Notes (continued)

8 Tax on loss on ordinary activities (continued)

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

The current tax charge for the period is lower than (2020: lower than) the standard rate of corporation tax in the UK 19.00% (2020: 19.00%).

| | Year ended 31 August 2021 £000 | Year ended 31 August 2020 £000 |
|---|---|---|
| Current tax reconciliation | | |
| Loss on ordinary activities before taxation | (1,775) | (4,393) |
| Current tax at 19.00% (2020: 19.00%) | (337) | (835) |
| Effects of: | | |
| Rate change | 1,022 | 383 |
| Expenses not deductible | 333 | 1,582 |
| Adjustment to tax charge in respect of previous years | 234 | 479 |
| Total tax charge | 1,251 | 1,609 |

Factors affecting future tax charges

The Finance (No.2) Act 2015 reduced the main rate of UK corporation tax to 19%, effective from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by Finance Act 2016 on 15 September 2016). However, legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) repealed the reduction of the corporation tax, thereby maintaining the current rate of 19%. Deferred taxes on the balance sheet have been measured at 25% (2019 – 19%) which represents the future corporation tax rate that was enacted at the balance sheet date.

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. It is not anticipated that these changes will have a material impact on the company's deferred tax balances.

AB Agri Limited

Notes (continued)

9 Intangible assets

| | Goodwill £000 | Intangible assets £000 | Total £000 |
|--------------------------|------------------|------------------------------|---------------|
| Cost | | | |
| At beginning of period | 10,617 | 20,990 | 31,607 |
| Additions | - | 3,210 | 3,210 |
| | <hr/> | <hr/> | <hr/> |
| At end of period | 10,617 | 24,200 | 34,817 |
| | <hr/> | <hr/> | <hr/> |
| Amortisation | | | |
| At beginning of period | - | 13,813 | 13,813 |
| Charge for the period | - | 1,069 | 1,069 |
| | <hr/> | <hr/> | <hr/> |
| At end of period | - | 14,882 | 14,882 |
| | <hr/> | <hr/> | <hr/> |
| Net book value | | | |
| At 31 August 2021 | 10,617 | 9,318 | 19,935 |
| | <hr/> | <hr/> | <hr/> |
| At 31 August 2020 | 10,617 | 7,177 | 17,794 |
| | <hr/> | <hr/> | <hr/> |

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

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

AB Agri Limited

Notes (continued)

10 Leases

Right-of-use assets

| | Land and freehold buildings | Plant and machinery, fixtures and fittings, cars | Total |
|--|-----------------------------------|---|--------------|
| | £000 | £000 | £000 |
| <i>Cost</i> | | | |
| At beginning of period | 9,667 | 1,042 | 10,709 |
| Additions | 305 | - | 305 |
| Reclassification | - | (22) | (22) |
| | <hr/> | <hr/> | <hr/> |
| As at 31 st August 2021 | 9,972 | 1,020 | 10,992 |
| | <hr/> | <hr/> | <hr/> |
| <i>Depreciation</i> | | | |
| At beginning of period | 1,103 | 445 | 1,548 |
| Charge for the period | 1,101 | 217 | 1,318 |
| | <hr/> | <hr/> | <hr/> |
| As at 31 st August 2021 | 2,204 | 662 | 2,866 |
| | <hr/> | <hr/> | <hr/> |
| <i>Net Book Value</i> | | | |
| As at 31st August 2021 | 7,768 | 358 | 8,126 |
| | <hr/> | <hr/> | <hr/> |
| As at 1 st September 2020 | 8,564 | 597 | 9,161 |
| | <hr/> | <hr/> | <hr/> |

AB Agri Limited

Notes (continued)

10 Leases (continued)

Lease liabilities

| | Land and freehold buildings | Plant and machinery, fixtures and fittings, cars | Total |
|------------------------------------|--------------------------------|---|---------|
| | £000 | £000 | £000 |
| <i>Cost</i> | | | |
| At beginning of period | (8,679) | (601) | (9,280) |
| Additions | (229) | - | (229) |
| Interest expense | (28) | - | (28) |
| Repayments | 1,002 | 208 | 1,210 |
| Reclassification | - | 22 | 22 |
| | <hr/> | <hr/> | <hr/> |
| As at 31 st August 2021 | (7,934) | (371) | (8,305) |
| | <hr/> | <hr/> | <hr/> |
| Current | | | 1,027 |
| Non-current | | | 7,278 |
| | | | <hr/> |
| Total | | | (8,305) |
| | | | <hr/> |

Lease liabilities comprise £8,277k capital payable and £28k interest payable; the interest payable is all current and disclosed within current lease liability on the face of the balance sheet.

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

| | Year ended 31 st August 2021 £000 | Year ended 31 st August 2020 £000 |
|--|---|---|
| Land and buildings | 7 | 126 |
| Plant and machinery, fixtures and fittings, cars | 21 | 26 |
| | <hr/> | <hr/> |
| Total expense (note 4) | 28 | 152 |
| | <hr/> | <hr/> |

AB Agri Limited

Notes (continued)

11 Tangible assets

| | Land and freehold buildings | Long leasehold buildings | Plant and machinery, fixtures and fittings, cars | Assets in the course of construction | Total |
|--------------------------|-----------------------------------|--------------------------------|--|--|---------------|
| | £000 | £000 | £000 | £000 | £000 |
| <i>Cost</i> | | | | | |
| At beginning of period | 19,606 | 1,737 | 141,128 | 2,061 | 164,532 |
| Additions | 7 | - | 5,090 | 2,763 | 7,860 |
| Disposals | - | - | (4,290) | - | (4,290) |
| Transfers | - | - | 1,628 | (1,628) | - |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| At end of period | 19,613 | 1,737 | 143,556 | 3,196 | 168,102 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| <i>Depreciation</i> | | | | | |
| At beginning of period | 10,617 | 672 | 82,438 | - | 93,727 |
| Charge for the period | 422 | 101 | 9,993 | - | 10,516 |
| Disposals | - | - | (3,900) | - | (3,900) |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| At end of period | 11,039 | 773 | 88,531 | - | 100,343 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| <i>Net book value</i> | | | | | |
| At 31 August 2021 | 8,574 | 964 | 55,025 | 3,196 | 67,759 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 August 2020 | 8,989 | 1,065 | 58,690 | 2,061 | 70,805 |
| | <hr/> | <hr/> | <hr/> | <hr/> | <hr/> |

AB Agri Limited

Notes (continued)

12 Investments

| | Shares in group Undertakings £000 |
|------------------|--|
| Cost | |
| At end of period | 25,325 |

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. The Company has a 100% interest in the following subsidiary companies:

| Subsidiary undertakings | Principal activity | Registered address |
|---|-------------------------------------|---|
| ABN (Overseas) Limited | Investment company | Weston Centre, 10 Grosvenor Street, London, W1K 4QY, United Kingdom |
| Roses Nutrition Limited | Non-trading | Weston Centre, 10 Grosvenor Street, London, W1K 4QY, United Kingdom |
| LeafTC Limited | Non-trading | Weston Centre, 10 Grosvenor Street, London, W1K 4QY, United Kingdom |
| ABN (Scotland) Limited | Non-trading | 180 Glentworth Road, Glasgow, G22 7UP, United Kingdom |
| ABNA Limited | Non-trading | Weston Centre, 10 Grosvenor Street, London, W1K 4QY, United Kingdom |
| Nutrition Trading (International) Limited | Non-trading | Weston Centre, 10 Grosvenor Street, London, W1K 4QY, United Kingdom |
| Agrilines Limited | Non-trading | Weston Centre, 10 Grosvenor Street, London, W1K 4QY, United Kingdom |
| Premier Nutrition Products Limited | Non-trading | Weston Centre, 10 Grosvenor Street, London, W1K 4QY, United Kingdom |
| Banbury Agriculture Limited | Non-trading | Weston Centre, 10 Grosvenor Street, London, W1K 4QY, United Kingdom |
| Nutrition Trading Limited | Non-trading | Weston Centre, 10 Grosvenor Street, London, W1K 4QY, United Kingdom |
| Spectrum Aviation Limited | Informatics company | Weston Centre, 10 Grosvenor Street, London, W1K 4QY, United Kingdom |
| AB Vista Europe B.V. | Animal nutrition technology company | Weena 505, 3013AL Rotterdam, Netherlands |
| ABNA (Shanghai) Feed Co., Limited | Animal nutrition technology company | 868 Yongpu Road, Pujiang Town, Minhang District, Shanghai 201112, China |
| ABNA Trading (Shanghai) Co., Limited | Animal nutrition technology company | Room 2803, Raffles City Changning, No. 1189 Changning Road, Changning District, Shanghai, 200051, China |

AB Agri Limited

Notes (continued)

13 Capital commitments

Capital commitments at the end of the financial period, for which no provision has been made, amounted to £3,355,000 (2020: £2,606,000).

14 Stocks

| | 31 August 2021 £000 | 31 August 2020 £000 |
|-------------------------------------|---------------------------|---------------------------|
| Raw materials and consumables | 21,669 | 17,498 |
| Finished goods and goods for resale | 4,244 | 3,480 |
| | <u>25,913</u> | <u>20,978</u> |

Stock includes an allowance at year end of £632,000 (2020: £277,000). During the year an expense was recognised within the statement of comprehensive income of £392,000 relating to this provision (2020: £114,000).

15 Debtors

| | 31 August 2021 £000 | 31 August 2020 £000 |
|------------------------------------|---------------------------|---------------------------|
| Trade debtors | 128,594 | 116,144 |
| Amounts owed by group undertakings | 486 | 915 |
| Other debtors | 1,432 | 259 |
| Prepayments | 10,206 | 14,644 |
| Accrued income | 4,001 | 6,516 |
| | <u>144,719</u> | <u>138,478</u> |

Amounts owed by group undertakings are short term in nature, bear no interest, and are held on normal trading terms.

The trade debtor balance includes an amount for expected credit losses of £160,000 (2020: £529,000). A charge of £76,000 was charged to the profit and loss account in respect of this (2020: £14,000).

AB Agri Limited

Notes (continued)

16 Creditors – amounts falling due within one year

| | 31 August 2021 £000 | 31 August 2020 £000 |
|------------------------------------|---------------------------|---------------------------|
| Trade creditors | 61,714 | 65,478 |
| Amounts owed to group undertakings | 12,193 | 2,876 |
| Corporation tax | 1,655 | 1,903 |
| Other creditors | 25 | 375 |
| Accruals and deferred income | 24,546 | 22,508 |
| | <u>100,133</u> | <u>93,140</u> |

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

17 Creditors – amounts falling due after one year

| | 31 August 2021 £000 | 31 August 2020 £000 |
|------------------------------------|---------------------------|---------------------------|
| Amounts owed to group undertakings | 48,369 | 43,437 |
| Lease liabilities (note 10) | 7,278 | 7,777 |
| | <u>55,647</u> | <u>51,214</u> |

Amounts owed to group undertakings are under terms agreed on a case-by-case basis. Those bearing interest are at a rate of LIBOR plus 25 basis points.

AB Agri Limited

Notes (continued)

18 Provision for liabilities and charges

| | Deferred tax £000 |
|---|----------------------|
| At 1 st September 2020 | (3,457) |
| Charge to the profit and loss account | (772) |
| Charge relating to other comprehensive loss | (72) |
| At 31 August 2021 | (4,301) |

Analysis of deferred tax by component:

| | 31 August 2021 £000 | 31 August 2020 £000 |
|-------------------------------------|---------------------------|---------------------------|
| Accelerated capital allowances | (4,123) | (3,329) |
| Deferred tax on hedging reserve | (41) | 96 |
| IFRS16 transitional adjustment | 40 | - |
| Other short term timing differences | (177) | (224) |
| | (4,301) | (3,457) |

19 Share capital and reserves

Share capital

At 31 August 2020 and 31 August 2021, the Company's issued and fully paid share capital comprised 102,000,000 ordinary shares of £1. Total nominal value was £102m.

Capital contribution reserve

Capital contribution reserve of £6,548,000 (2020: £6,474,000) represents investment from the parent.

Hedging reserve

The hedging reserve of £197,000 (2020: (£170,000)) 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.

AB Agri Limited

Notes (continued)

20 Share-based payments

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

The 2016 LTIP was approved and adopted by the Company at the AGM held on 9 December 2016. 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 vesting period.

The Company recognised a total equity-settled share-based payment expense of £74,000 during the period (2020: expense of £601,000).

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

21 Contingencies

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

As at 31 August 2021, the Company has not provided any guarantees in the ordinary course of business.

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.

AB Agri Limited

Notes *(continued)*

22 Pension costs

The Company is a member of the Associated British Foods Pension Scheme (the 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 Scheme had an accounting surplus of £633m (2020 - £94m). The increase was driven by significant asset gains, offset by a marginal increase in scheme liabilities.

The last triennial valuation of the UK scheme was undertaken at 5 April 2020 which determined a deficit of £302m.

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 £6,235,000 (2020: £5,846,000).

AB Agri Limited

Notes (continued)

23 Related party transactions

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

| | 2021 £000 | 2020 £000 |
|--|--------------|--------------|
| Sales (on normal trading terms) | 38 | 143 |
| Purchases (on normal trading terms) | 228,843 | 197,398 |
| Amounts due from related parties (on normal trading terms) | 10 | 14 |
| Amounts due to related parties (on normal trading terms) | 15,987 | 19,887 |

24 Controlling Parties

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

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