

# **Mauri Products Limited**

## **Annual Report and Financial Statements for the 52 week period ended 29<sup>th</sup> August 2020**

**Registered number 1413180**



## Contents

Strategic Report	3
Directors' Report	7
Statement of directors' responsibilities in respect of the Strategic Report, Directors' Report and the Financial statements	10
Independent auditor's report to the members of Mauri Products Limited	11
Income statement	14
Statement of comprehensive income	14
Balance sheet	15
Statement of changes in equity	16
Notes to the financial statements	17

## Strategic Report

The directors present their Annual Report and the audited financial statements for the 52 week period ended 29 August 2020.

### Business Review

The principal activity of the Company is the manufacture and sale of yeast and yeast products.

In the 52 week period ended 29 August 2020, turnover was £18.3 million (2019: £19.5 million). The operating loss for the period was £1.4m (2019: loss of £1.9m) and the loss before tax was £1.6m (2019: loss of £2.1m). The business was impacted by currency movements and commodity price changes during 2020.

The following KPIs, based on the period end position, are used by management to monitor business performance:

	2020 - £,000	2019 - £,000
Turnover	18,298	19,549
Operating Loss	(1,449)	(1,942)
Loss for the financial year	(1,349)	(1,682)
Shareholder's Funds	2,079	3,434
Gross Profit Margin	19%	19%
Operating profit margin	(8%)	(10%)
ROCE – Operating (Loss)/Capital Employed	(47%)	(53%)

The financial position at the period end is set out in the balance sheet on page 15. Net assets of £2.1m (2019: £3.4m) included a cash balance of £1.4m (2019: £0.7m).

The directors consider this financial position to be satisfactory.

### Principal risks & uncertainties and financial risk management

The principal uncertainties facing the company are:

- The impact of fluctuating exchange rates on purchases and sales denominated in foreign currencies. Management utilise contract hedging arrangements to minimise this risk; and
- The impact of fluctuating commodity prices affecting procurement.
- Brexit
- COVID-19

The company strives to ensure environmental compliance with relevant legislation and that environmental best practice is in place across the site. It takes pride in its environmental record and endeavours to make improvements wherever possible.

Expected credit losses are considered to be a low risk and the expected credit loss provision remains low in the period. The company maintains strong relationships with each of its customers, has established detailed credit control parameters and continues to monitor outstanding receivables closely.

A full description of the principle risks and uncertainties applicable to the Associated British Foods plc group, of which this company is a wholly owned subsidiary, are disclosed on pages 84 to 90 of the 2020 Annual Report, which is available at [www.abf.co.uk](http://www.abf.co.uk). This is supplemented by the section on principal risks and uncertainties in the Interim Results Announcement of Associated British Foods plc dated 20 April 2021.

## Strategic Report (*continued*)

### Future developments

The company aims to improve current profitability levels where possible and to mitigate the risks identified above.

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

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
- Government and regulators
- Shareholder
- ABF and other group companies

### Employees

Our people have been at the heart of our success and integral in building our business over the years. Our relatively low employee turnover and average length of service helps create a stable, highly knowledgeable team who share our passion for our industry. The continuous communication, consultation, and engagement with our colleagues is very important, as it helps everyone understand how their contributions impact each other's roles and the overall business.

We have a fantastic health and safety at work programme supported by employee safety representatives, which actively encourages colleagues to share good practice and raise safety observations which enable us to collectively improve colleague safety, which is our first and most important priority as a leadership team. We have established a number of mechanisms for engaging our people, including Staff Newsletters, Suggestion Schemes, through the "Thrive" health and wellbeing programme, Toolbox Talks and the "Healthy Mind" focus group focussing on mental health awareness and initiatives. We have held engagement survey in recent years and discussed with colleagues the results and initiatives to deepen engagement.

### Suppliers

Our Supplier Code of Conduct, which applies to all companies in the ABF group and which can be found on the ABF website ([www.abf.co.uk](http://www.abf.co.uk)), 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.

### Customers/Consumers

Our diverse range of customer requirements drive our policy making. We are rigorous in our food safety, health and safety and environmental safety standards in our manufacturing practices. Our aim is to be the supplier of choice for the customers in the UK and Ireland.

## Strategic Report (*continued*)

### Section 172 statement (*continued*)

#### Communities and Environment

We recognise and are fully committed to our responsibilities in contributing to a healthier and more sustainable society.

We care deeply about our impact, and we have a number of practices in place that are aligned to our values - monitoring our water, energy, waste, noise and use of resources and adapting our operations to reduce our impact on our local communities and the environment.

We have sponsored Breakfast Clubs in local primary schools for a number of years, providing much needed support for disadvantaged children. We have strong governance protocols, including a RemCo for employee reward, Anti-bribery and Corruption, Competition Compliance and GDPR training programmes.

#### Governments

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

#### Shareholders

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

#### Other ABF group entities

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

#### 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.

**Employee engagement:** Through the COVID-19 pandemic we have invested in IT equipment and utilised new communication software to ensure our people remained connected – both professionally and socially – through the pandemic, and shared employees' experiences through a light-hearted "Lockdown Lowdown" bulletin.

## **Strategic Report** *(continued)*

### **Section 172 statement** *(continued)*

**Engagement with regards to health and safety:** We have maintained 24 hours production through this period by implementing strong safety protocols including the use of proximity sensors by people attending the site, air circulation improvements changes, daily meetings using new communication methods and restricting staff movements in key areas.

By order of the board



**Andrew Pollard**  
*Director*

Weston Centre  
10 Grosvenor Street  
LONDON  
W1K 4QY

21<sup>st</sup> May 2021

## **Directors' Report**

The directors present their report and the audited financial statements of the company for the 52 week period ended 29 August 2020.

### **Dividends**

The directors did not recommend the payment of a dividend during the period. (2019: Nil). No final dividend is proposed.

### **Employees**

Employees are a key resource and the company is committed to offering equal opportunities to all in recruitment, training and career development. Full and fair consideration is given to applicants with disabilities. Health and safety is considered equal in importance to that of any function of the Company and its business objectives are accentuated by the resource placed in this area.

The Company will brief and consult employees on all relevant matters on a regular basis in order to understand their views and to achieve an awareness of the financial and economic factors affecting the performance of the company.

### **Directors**

The directors who held office during the period and since the end of the period were as follows:

A Pollard  
I Smith  
N Holmes resigned 28/01/2020  
M Devenuto  
A Nahata appointed 28/01/2020

### **Secretary**

R Schofield resigned 24/12/2020

### **Directors' indemnities**

The directors have benefited from the ABF Group's Directors and Officers Insurance Policy.

### **United Kingdom charitable and political contributions**

Contributions to charitable organisations during the period totalled £nil (2020: £nil). No contributions were made to political organisations (2019: £nil).

### **Creditor payment policy**

It is the Company's policy to agree terms of business with suppliers prior to the supply of goods and services. In the absence of any dispute, the Company pays in accordance with these terms. At the period end there were 69 days (2019: 69 days) purchases in creditors.

### **Health and Safety**

The Company aims for its employees to Stay Accident Free Everyday (SAFE). The Company encourages its people to enjoy their work and to carry it out in a safe and comfortable environment and minimise the environmental impact of their business activities. Mauri Products Limited provides leadership, policies, training and guidance on what it is expected to ensure that its aims are met, wherever people work and whatever their position in the organisation.

The Company keeps its safety, health 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' Report (continued)

### Health and Safety (continued)

Mauri Products Limited encourages its people to help monitor the effectiveness of its approach by drawing attention to any failings or weaknesses in systems or procedures that together they can continually improve performance. The Company believe that success in its health, safety and environmental performance is reliant on an effective partnership approach.

The Company has a representative committee able to address health, safety and environmental issues at the local level and ensure ongoing legal compliance. We encourage everyone to be proactively involved in their own and others' health and safety.

The company keeps its safety, health and environmental performance and 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.

### COVID-19 and Going Concern

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

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

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

The circumstances of COVID-19 currently assessed as significant to Mauri Products Limited are:

- People – as our operations fall within the Government definition of a critical industry, key workers are still attending site and are following Public Health England guidelines when on site. Any member of staff who can work from home is doing so unless the role cannot be adequately performed other than at the employee's place of work.
- Health & safety - Social distancing measures are in place at site. Where it is not possible, adjustments are made to limit contact with others in communal areas. Hand sanitising stations are also in place across all points of entry or where there is shared access.
- Supply Chain – There has been no disruption to supply of product either from suppliers or to our customers. We are in regular contact with our key suppliers and are maintaining continuity of supply in raw materials, utilities and engineering materials and services.
- Risks / opportunities - The business has experienced some reduction in demand from distillery customers however this has been offset in part by increased demand for a number of home baking options.

At 29 August 2020 the company had net current liabilities of £9.3m (2019: £8.1m) which included £12.9m (2019: £10.8m) payable to the intermediate parent company.

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

After making due enquiries and considering the impact of COVID-19 and the support available from the intermediate parent company described above, the directors have a reasonable expectation that the Company has adequate resources to continue in operation for 12 months from the date of signing of these financial statements.



## **Directors' Report (continued)**

### **COVID-19 and Going Concern (continued)**

These considerations included the impact of COVID-19 on the wider ABF group, the ABF group's directors' assessment of going concern (set out in the 2021 Interim Results Announcement dated 20 April 2021 and available at [www.abf.co.uk](http://www.abf.co.uk)), which included the significant levels of cash and undrawn committed long-term facilities available to the group and the ABF group's directors' stress testing of cash flow forecasts through to September 2022, and an assessment of any developments since that date that would adversely affect that conclusion. Accordingly, the financial statements have been prepared on the going concern basis.

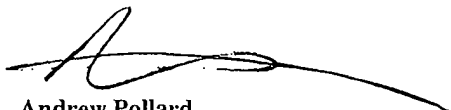
### **Disclosure of information to auditor**

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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

### **Independent 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.

By order of the board



**Andrew Pollard**  
*Director*

Weston Centre  
10 Grosvenor Street  
LONDON  
W1K 4QY

21<sup>st</sup> May 2021

## **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 period. Under that law, the directors have prepared the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including Financial Reporting Standard 101 "Reduced Disclosure Framework".

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 judgements 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;
- notify the company's shareholders in writing about the use of disclosure exemptions, if any. Of FRS 101 used in the preparation of financial statements; and
- 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.

## Ernst & Young LLP

24 Marina Court

Hull

HU1 1TJ

United Kingdom

# Independent auditor's report

to the members of Mauri Products Limited

## Opinion

We have audited the financial statements of Mauri Products Limited for the 52 week period ended 29<sup>th</sup> August 2020 which comprise the Income Statement, the Statement of comprehensive income, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 21, 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 29<sup>th</sup> August 2020 and of its loss for the 52 week period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

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

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

## Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

# **Independent auditor's report**

to the members of Mauri Products Limited (Continued)

## **Other information**

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

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

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

We have nothing to report in this regard.

## **Opinions on other matters prescribed by the Companies Act 2006**

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

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

## **Matters on which we are required to report by exception**

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

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

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

## **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 10, 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 Mauri Products Limited (Continued)

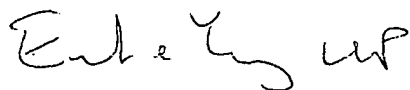
## Auditor's responsibilities for the audit of the financial statements

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 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.



Richard Frostick (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Hull

21 May 2021

## Income statement

*for the 52 week period ended 29 August 2020*

	<i>Note</i>	<b>2020</b> <b>£000</b>	<b>2019</b> <b>£000</b>
Turnover	4	18,298	19,549
Cost of sales		(14,814)	(15,920)
<b>Gross profit</b>		<b>3,484</b>	<b>3,629</b>
Distribution costs		(2,074)	(2,407)
Administration expenses		(2,859)	(3,164)
<b>Operating loss</b>		<b>(1,449)</b>	<b>(1,942)</b>
Other interest payable and similar expense	9	(142)	(125)
<b>Loss on ordinary activities before taxation</b>	5	<b>(1,591)</b>	<b>(2,067)</b>
Tax on Loss on ordinary activities	10	242	385
<b>Loss for the financial period</b>		<b>(1,349)</b>	<b>(1,682)</b>

The notes on pages 17 to 31 form part of these financial statements.

## Statement of comprehensive income

*for the 52 week period ended 29 August 2020*


	<i>Note</i>	<b>2020</b> <b>£000</b>	<b>2019</b> <b>£000</b>
<b>Loss for the financial period</b>		<b>(1,349)</b>	<b>(1,682)</b>
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Cash flow hedges:			
Gain/(loss) arising during the period	18	(7)	(7)
Add: Deferred taxation relating to cash flow hedges	19	1	1
<b>Other comprehensive gain/(loss) for the period net of tax</b>		<b>(6)</b>	<b>(6)</b>
<b>Total comprehensive expense for the period</b>		<b>(1,355)</b>	<b>(1,688)</b>

**Balance sheet**  
*at 29 August 2020*

	<i>Note</i>	2020	2019
		£000	£000
<b>Fixed assets</b>			
Tangible assets	11	11,546	11,958
<b>Right of use assets</b>	12	840	-
<b>Current assets</b>			
Stocks	14	1,973	1,469
Debtors	15	3,447	4,193
Cash at bank and in hand		1,361	659
		<u>6,781</u>	<u>6,321</u>
<b>Creditors: amounts falling due within one year</b>	16	<u>(16,079)</u>	<u>(14,418)</u>
<b>Net current liabilities</b>		<u>(9,298)</u>	<u>(8,097)</u>
<b>Total assets less current liabilities</b>		<u>3,088</u>	<u>3,861</u>
Deferred Tax	19	(464)	(427)
Lease Liabilities	17	(545)	-
<b>Net assets</b>		<u>2,079</u>	<u>3,434</u>
<b>Capital and reserves</b>			
Called up share capital	20	1,375	1,375
Profit and loss account		710	2,059
Hedging reserve	18	(6)	-
<b>Total equity shareholders' funds</b>		<u>2,079</u>	<u>3,434</u>

The notes on pages 17 to 31 form part of these financial statements.

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

  
Andrew Pollard  
Director

**Statement of changes in equity**  
*at 29 August 2020*

	Called up share capital £'000	Hedging reserve £'000	Profit and loss account £'000	Total equity £'000
At 25 August 2018	1,375	6	3,741	5,122
Loss for the financial period	-	-	(1,682)	(1,682)
Other comprehensive expense for the period	-	(6)	-	(6)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 August 2019	1,375	-	2,059	3,434
Loss for the financial period	-	-	(1,349)	(1,349)
Other comprehensive income for the period	-	(6)	-	(6)
	<hr/>	<hr/>	<hr/>	<hr/>
At 29 August 2020	1,375	(6)	710	2,079
	=====	=====	=====	=====



## Notes to the financial statements

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

The financial statements of Mauri Products Limited for the 52 week period ended 29 August 2020 were authorised for issue by the board of directors on 21<sup>st</sup> May 2021 and the balance sheet was signed on the board's behalf by A. Pollard. Mauri Products Limited is incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

### 2 Accounting policies

The following accounting policies have been applied consistently unless otherwise stated in dealing with items which are considered material in relation to the company's financial statements.

#### *Basis of preparation*

The financial statements have been prepared in accordance with Financial Reporting Standard 101 (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings in accordance with the Companies Act 2006.

The company's financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101.

- (a) the requirements of IFRS 7 Financial Instruments: Disclosures,
- (b) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- (c) the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - (i) paragraph 79(a)(iv) of IAS 1;
  - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- (d) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- (e) the requirements of IAS 7 Statement of Cash Flows;
- (f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- (g) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- (h) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member ; and
- (i) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

As permitted under FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of a cash flow statement, presentation of comparative information in respect of certain assets, standards not yet effective, impairment of assets, business combinations, discontinued operations and related party transactions.

## Notes to the financial statements (continued)

### 2 Accounting policies (continued)

#### *New Accounting Policies*

##### *Leases*

IFRS 16 introduces a new model for the identification of leases and accounting for lessors and lessees. It replaces IAS 17 Leases and other related requirements. The company adopted IFRS 16 on 01 September 2019 and applies it for the first time in the 2020 financial year.

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

For lessors, IFRS 16 substantially retains existing accounting requirements and continues to require classification of leases either as operating or finance in nature.

The group engaged external experts to support its implementation project and established a steering committee to oversee its governance, which reported to the Audit Committee. The group completed its implementation project during the 2019 financial year.

IFRS 16 permits a choice of transition approaches: a fully retrospective approach with an adjustment made to the opening retained earnings of the comparative period; or a modified retrospective approach with the cumulative effect of initial application recognised at the date of initial application without restating prior periods.

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

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

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

- carrying amount as if IFRS 16 had been applied since the lease commencement date, discounted by the company's incremental borrowing rate as at 01 September 2019 (applied to a majority of the group's leases where sufficient historical information was available); or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments (applied to a small number of leases where sufficient historical information was not available).

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

There is no change to overall cash flows. Operating lease payments were previously presented as operating cash flows and finance lease payments were allocated between payments of principal and interest within financing cash flows. Under IFRS 16, lease payments are split between payments of principal and interest, presented as financing cash flows.

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

## Notes to the financial statements (continued)

### 2 Accounting policies (continued)

#### *Leases (continued)*

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

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

#### *Going Concern*

At 29 August 2020 the company had net current liabilities of £9.3m (2019: £8.1m) which included £12.9m (2019: £10.8m) payable to the intermediate parent company.

The financial statements have been prepared on a going concern basis because the intermediate parent company has formally indicated that it will provide financial and other support to the company to enable it to trade and meet its liabilities as and when they become due, for at least 12 months from the date of signing of these financial statements.

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report.

The directors, having completed cash flow projections and reviewed the company's banking facilities, have no reason to believe that a material uncertainty exists that may cast significant doubt about the continued availability of its current banking arrangements or the ability of the company to continue as a going concern.

On the basis of their assessment of the company's financial position, the 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.

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

#### *Turnover*

Revenue represents the value of sales made to customers after deduction of discounts, sales taxes and a provision for returns. Discounts include sales rebates, price discounts, customer incentives, certain promotional activities and similar items. The following criteria must also be met before turnover is recognised:

Revenue is recognised when performance obligations are satisfied, goods are delivered to customers and control of goods is transferred to the buyer.

## Notes to the financial statements (continued)

### 2 Accounting policies (continued)

Rebates are given to a number of key customers based on a percentage of turnover sold to those customers. These rebates are paid to customers by way of sales credit notes and/or free goods. Provisions are made for these rebates at fair value and are deducted from turnover.

#### *Fixed assets and depreciation*

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	54 years
Plant and machinery	-	3 to 13 years

No depreciation is provided on freehold land.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

#### *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 using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the income statement in the period in which they arise except for exchange differences on transactions covered by hedge agreements. (See policy below on Derivative financial instruments).

#### *Pension costs*

The company is a member of the Associated British Foods Plc defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the income statement represents the contributions payable.

The company is also a member of the Associated British Foods plc pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. Because the company is unable to identify its share of the scheme's assets and liabilities on a consistent and reasonable basis, as permitted by IAS 19, the scheme has been accounted for as if it were a defined contribution scheme. The pension charge for the period represents the contributions payable.

#### *Stocks*

Stocks are valued at the lower of cost and net realisable value after making due provision against obsolete and slow-moving items and a first in first out basis. In the case of finished goods manufactured by the company the term 'cost' includes ingredients, production labour and an appropriate proportion of attributable production overheads.

#### *Taxation*

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by IAS 12.

The charge/credit for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

## Notes to the financial statements (continued)

### 2 *Accounting policies (continued)*

#### *Group Relief*

It is the policy of the group to which the company belongs, to charge for tax losses surrendered by way of group relief at a rate of UK corporation tax enacted at the date that the companies' profits were earned.

#### *Derivative financial instruments*

Financial assets are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

The company has entered into foreign exchange forward contracts to manage its exposure to foreign exchange rate risk. Further details of derivative financial instruments are disclosed in note 18.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in the hedging reserve until such time as the derivative matures. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss, consistent with the applicable accounting policy. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. A derivative with a positive fair value is recognised as a financial asset and is presented as a current asset if the contractual maturity date of the instrument is within twelve months of the balance sheet date.

### 3 *Critical accounting estimates and judgements*

#### *a) Stock provisions*

The company manufactures yeast using molasses. The calculation of the value of molasses provisions at the period end involves estimating the amount of molasses stock which remains in the bottom of the storage tanks which cannot be used. See note 14 for the net carrying amount of the stock and the associated provision.

#### *b) Impairment of trade receivables*

The company makes an estimate for expected credit losses. When assessing expected credit loss, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. See note 15 for the net carrying amount of the receivables and the associated expected credit loss provision.

## Notes to the financial statements (continued)

### 4 Turnover

Turnover is derived from the principal activity of the company, being the manufacture and sale of yeast.

The geographical analysis of turnover by destination is as follows:

	2020 £000	2019 £000
United Kingdom	16,131	17,027
Rest of Europe	2,039	2,380
Rest of World	128	142
	<hr/> 18,298 <hr/>	<hr/> 19,549 <hr/>

### 5 Loss on ordinary activities before taxation

	2020 £000	2019 £000
<i>Loss is stated after charging/(crediting)</i>		
Staff costs (note 6)	3,284	3,397
Depreciation of tangible fixed assets (note 11):	1,873	1,835
Depreciation of right-of- use assets (note 12)	319	-
Audit fees payable to the company's auditor	24	24
Profit on disposal of tangible fixed assets	(18)	(24)
Inventory recognised as an expense	6,661	7,118
Impairment of inventory (included in 'cost of sales')	(31)	50
Foreign exchange losses/(gains)	7	(15)
Rentals payable under operating leases	-	467

## Notes to the financial statements (continued)

### 6 Employees

The average number of persons employed by the company, including the directors during the period was as follows:

	Number of employees	
	2020	2019
Production	23	23
Administration and sales	42	44
Production and administration	65	67

Staff costs were as follows:

	2020 £000	2019 £000
Wages and salaries	2,633	2,738
Social security costs	291	309
Other pension costs	360	350
	<u>3,284</u>	<u>3,397</u>

### 7 Pensions

The company is a member of the Associated British Foods plc pension scheme (the scheme) which is a defined benefit pension scheme that provides providing 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 and reasonable basis, as permitted by IAS 19 the scheme has been accounted for by the company as if the scheme is a defined contribution scheme. The pension charge for the period represents the contributions payable by the company to the scheme and amounted to £158,000 (2019: £157,000).

On 30 September 2002 the scheme was closed to new members, with defined contribution arrangements introduced for new members. For the defined contribution scheme, the pension costs are the contributions payable by the company which amounted to £202,000 (2019: £193,000).

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 annual report and accounts of the group, which are available for download from the group's website at [www.abf.co.uk](http://www.abf.co.uk).

## Notes to the financial statements (continued)

### 8 Directors' remuneration

The directors' emoluments are paid by other group companies for their roles as directors of this entity. The company did not pay any remuneration to directors in respect of their services (2019: £nil).

### 9 Other interest payable

	2020 £000	2019 £000
Payable to group undertakings	127	125
Lease liabilities	15	-
	<hr/> 142	<hr/> 125
	<hr/> <hr/>	<hr/> <hr/>



## Notes to the financial statements (continued)

### 10 Tax on loss on ordinary activities

	2020 £000	2019 £000
<b>Corporation Tax</b>		
UK corporation tax – current year	(255)	(343)
UK corporation tax – prior year adjustment	(27)	2
	<hr/>	<hr/>
<b>Total current tax</b>	(282)	(341)
 <b>Deferred Tax</b>		
Origination and reversal of timing difference	3	(50)
Effect of change in tax rate	4	5
Adjustment in respect of previous years	33	1
	<hr/>	<hr/>
<b>Total deferred tax (note 19)</b>	40	(44)
	<hr/>	<hr/>
<b>Total tax credit in the year on ordinary activities</b>	(242)	(385)
	<hr/>	<hr/>

### Factors affecting tax credit for the period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £000	2019 £000
Loss on ordinary activities before tax	(1,591)	(2,067)
	<hr/>	<hr/>
loss on ordinary activities at standard rate or corporation tax in the UK of 19% (2019: 19%)	(302)	(393)
Effect of change in tax rate	54	5
Adjustment in respect of previous periods	6	3
	<hr/>	<hr/>
<b>Total tax credit for the period</b>	(242)	(385)
	<hr/>	<hr/>

A UK corporation tax rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. The legislation to effect these changes was enacted before the balance sheet date and UK deferred tax has accordingly been calculated at 19%.

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

## Notes to the financial statements (continued)

### 11 Tangible fixed assets

	Land and buildings £000	Plant and Machinery £000	Payments on account and assets in course of construction £000	Total £000
<i>Cost</i>				
At beginning of period	2,566	28,195	1,547	32,308
Additions	-	-	1,464	1,464
Disposals	-	(162)	-	(162)
Transfers	447	954	(1,401)	-
	<hr/>	<hr/>	<hr/>	<hr/>
At end of period	3,013	28,987	1,610	33,610
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At beginning of period	1,429	18,921	-	20,350
Charge for period	72	1,801	-	1,873
Disposals	-	(159)	-	(159)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of period	1,501	20,563	-	22,064
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 29 August 2020	1,512	8,424	1,610	11,546
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 August 2019	1,137	9,274	1,547	11,958
	<hr/>	<hr/>	<hr/>	<hr/>

Land and buildings comprise freehold property, including land at a cost of £399,701 (2019: £399,701) which is not depreciated.

## 12 Right-of-use assets

	Land and buildings £000	Plant and Equipment £000	Total £000
<i>Cost</i>			
IFRS 16 opening balance adjustment at 1 <sup>st</sup> September 2019	316	843	1,159
Additions	-	-	-
At end of period	316	843	1,159
<i>Depreciation</i>			
Charge for period	44	275	319
At end of period	44	275	319
<i>Net book value</i>			
At 29 August 2020	272	568	840
IFRS 16 opening balance adjustment at 1 <sup>st</sup> September 2019	316	843	1,159

## 13 Capital commitments

There are commitments for capital expenditure by the company of approximately £2,014,725 (2019: £384,391) for which no provision has been made in these financial statements.

## 14 Stocks

	2020 £000	2019 £000
Raw materials and consumables	1,515	1,279
Finished goods and goods for resale	458	190
	1,973	1,469

There is no significant difference between the replacement cost of raw materials and consumables, and finished goods and goods for resale and their carrying amount.

At the period end a provision for raw materials and consumables of £24,000 existed (2019: £58,000)

## Notes to the financial statements (continued)

### 15 Debtors

	2020 £000	2019 £000
Trade debtors	2,139	2,815
Amounts owed by group companies	86	354
Amounts owed by group companies - Corporation Tax	766	484
Prepayments and accrued income	456	540
	<u>3,447</u>	<u>4,193</u>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

At the period end there was a provision for expected credit losses of £87,000. (2019: £16,000)

### 16 Creditors: amounts falling due within one year

	2020 £000	2019 £000
Trade creditors	1,911	2,195
Amounts owed to group companies	13,442	11,961
Accruals and deferred income	396	262
Lease liabilities (note 17)	322	-
Derivative financial instruments	8	-
	<u>16,079</u>	<u>14,418</u>

The company has a bank overdraft facility of £300,000 as part of the facility extended to the intermediate parent company by the group's bankers. Details of this facility are available in the financial statements of the intermediate parent company.

## Notes to the financial statements (continued)

### 17 Lease liabilities

	Land and buildings £000	Plant and Equipment £000	Total £000
<i>Cost</i>			
IFRS 16 opening balance adjustment at 1 <sup>st</sup> September 2019	331	860	1,191
Additions	-	-	-
Interest expense	-	14	14
Repayments	(47)	(291)	(338)
	<hr/>	<hr/>	<hr/>
<b>At 29 August 2020</b>	<b>284</b>	<b>583</b>	<b>867</b>
	<hr/>	<hr/>	<hr/>
Current			322
Non-current			545
			<hr/>
			<b>867</b>
			<hr/>

## Notes to the financial statements (continued)

### 18 Reserves

### Hedging

	2020 £000	2019 £000
Derivatives that are designated and effective as hedging instruments carried at fair value:		
Opening balance on hedging reserve	-	6
(Loss)/ Gain recognised in the period	(7)	(7)
Deferred Tax on hedging reserve	1	1
	<hr/>	<hr/>
	(6)	-
Closing balance on hedging reserve	<hr/>	<hr/>

As at 29th August 20 the company had contracts in place to buy €1,553,255 at an average rate of 0.90200 (£1,401,041). All contracts mature within 1 year

The hedging reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss, consistent with the applicable accounting policy.

### 19 Deferred Tax

### Deferred Taxation £000

At beginning of the period	(427)
Credited/(charged) to income statement in the period	(40)
Credited to reserves	3
	<hr/>
At end of period	(464)
	<hr/>

The deferred tax liability is made up as follows:

	2020 £000	2019 £000
Difference between accumulated depreciation and capital allowances	(467)	(427)
IFRS 16 transitional adjustment	2	-
Deferred tax on hedging reserve	1	-
	<hr/>	<hr/>
Deferred tax liability	(464)	(427)
	<hr/>	<hr/>

## Notes to the financial statements (continued)

### 20 Called up share capital

	2020		2019	
	Number	£	Number	£
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each				
Class A	687,500	687,500	687,500	687,500
Class B	687,500	687,500	687,500	687,500
Class C	1	1	1	1
	<u>1,375,001</u>	<u>1,375,001</u>	<u>1,375,001</u>	<u>1,375,001</u>

The A, B and C shares rank pari passu, except that the C shares do not confer the right to receive notice of, or to be present at, or to vote either in person or by proxy at, any general meeting of the company.

### 21 Controlling party

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

The largest group in which the results of the company are consolidated is that headed by Wittington Investments Limited. The smallest group in which they are consolidated is that headed by Associated British Foods plc, which is incorporated in Great Britain and registered in England and Wales.

The consolidated accounts of these groups are available to the public and may be obtained from 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](http://www.abf.co.uk).