

# R.Twining and Company Limited

Annual report and financial statements  
for the year ended  
31 August 2022

Company number 00525071



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## Strategic Report

The directors present their annual report and the audited financial statements for the year ended 31 August 2022.

### Business Review

Revenue is flat year on year with higher royalty income being offset by a decline in revenue in domestic markets. That decline is across all categories with the exception of benefit blends and reflects resetting across the market post Covid boosts, recovery of the out-of-home market and reduction in online shopping compared to the peak levels during the Covid pandemic.

Operating profit is 4% up year on year due to margin-enhancing royalty income and benefit blends. The results for the year are set out on page 16.

The business continued to invest in a significant transformation project during the period. This project will upgrade our systems and processes and will lead to benefits in future years.

### Key Performance Indicators (“KPIs”)

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

	2022	2021
	£’000	£’000
Revenue (as reported)	221,591	221,894
Operating profit	81,602	78,182
Profit for the financial year after tax	60,042	64,747
Shareholder’s equity	451,288	376,621
Gross profit margin	58%	55%
Operating profit margin	37%	35%
Working capital as a percentage of sales	15%	18%

### Principal Risks and Uncertainties

The Company has a number of specific risk areas that impact its business. These include the following:

#### Foreign Exchange Risk

The Company has exposure to fluctuations in prices from export sales and trading overseas, due to exchange rate movements. The Company uses forward currency contracts to hedge and reduce the Company’s exposure to the variability of foreign exchange rates.

#### Competitor and Consumer Behaviour Risk

The Company has exposure to risks in relation to competitors and consumer trends. These risks are minimised by use of market research for competitor activity and consumer trends.

## Strategic report (continued)

### Exposure to Price, Credit and Cash Flow Risk

The Company has exposure to the risk of prices of raw materials required for the manufacture of finished product. The Company reduces this risk by monitoring commodity prices and harvest performance, long-term purchasing agreements and access to alternative supply chains.

There is reduced credit risk to the Company as the majority of customers are large multi-nationals with strong credit ratings. The Company also has procedures in place that ensure credit checks on new customers are completed before sales are made.

Cash flow risk is the risk of exposure to variability in cash flows. This is not deemed a major risk for the Company as the business experiences few seasonal fluctuations and the operating cash flow generation and working capital performance is considered to be good.

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 94 to 101 of the 2022 Annual Report, which is available at [www.abf.co.uk](http://www.abf.co.uk).

### 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 71 of the Associated British Foods plc Annual Report and Accounts 2022. Please also see the Associated British Foods plc section 172 statement on pages 64 to 68 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

At 31 August 2022, the Company employed 405 people. Our people are central to the Company's success and employee engagement is crucial to embedding our Company culture and values, and to helping our people see how their efforts contribute to their Company's strategic objectives. During the reporting period the Company undertook regular engagement surveys, provided leadership updates, provided regular internal communications, Health & Safety programmes and training. The directors review the outcome of these communications/events to focus resources on the areas where improvement would derive the most benefit for our people.

#### Suppliers

Our Supplier Code of Conduct, which can be found on the Twinings website, sets out our values and standards on how we work and engage with our suppliers on ethical, environmental and other relevant matters. Please also see details of the workstreams of the Social Impact team which can be found in the Directors' Report.

#### Consumers

As well as providing safe and high-quality products, the physical health and safety of our consumers is of paramount importance to the Company. The Company engages with consumers through customer surveys, social media and customer information lines, ensuring their feedback is properly taken into account.

## Strategic report (continued)

### Section 172 statement (continued)

#### Communities and Environment

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

As part of the measures to achieve these goals the Company operates the 'Sourced with Care' Programme and is a member of the International Cocoa Initiative and World Cocoa Foundation.

#### Other ABF group entities

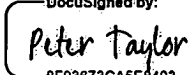
The Company forms part of the group of companies headed by Associated British Foods plc and the Company's accounts are consolidated into the Associated British Foods plc accounts. Group companies can provide financial and other support to the Company and the sharing of best practice and know-how between 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 – Our business has continued to adapt to the COVID-19 pandemic and the resulting fluctuations in demand for food through retail and out-of-home channels. Considering the impact on our employees, customers and suppliers, we have adjusted our working practices throughout the period.
- Business Transformation – A significant business transformation project was ongoing during the period which involves significant investment in our systems and processes. This project has a wide ranging impact on our stakeholders which has been considered during the scoping of this project.

By order of the board

DocuSigned by:  
  
8F83673CA5E8403...  
**PR Taylor**  
Director  
20 December 2022

Registered Office  
Weston Centre  
10 Grosvenor Street  
London  
W1K 4QY

## **Directors' Report**

The Directors present their report for the year ended 31 August 2022.

### **Directors of the Company**

The directors who held office during the period were:

OK Silden (appointed 23 March 2022)

PR Taylor

GJD Sully ép Hutt (appointed 17 June 2022)

NS Revett (resigned 17 June 2022)

RE Tavener (resigned 23 March 2022)

### **Secretary**

RG Cahill (appointed 23 March 2022)

### **Financial Instruments**

The Company uses forward currency contracts to hedge certain of its foreign currency cash flows. All contracts are held with Associated British Foods plc which enters into external contracts on the Company's behalf. At the balance sheet date the Company had net liabilities under forward currency contracts with a mark-to-market value of £947,000 (2021: assets of £564,000).

### **Dividends**

An interim dividend was not paid during the current or prior year. The directors do not recommend payment of a final dividend (2021: £nil).

### **Future Developments**

The Company intends to continue in the business of purchasing, manufacturing/blending and selling of tea, coffee and malt products.

### **Research and Development**

Expenditure incurred by the Company on research and development consists of product and packaging design testing and market research.

## Directors' Report (continued)

### Social Impact and Sustainability

The role of the Social Impact and Sustainability Team at Twinings is to monitor and improve ethical conditions in our supply chains, enabling better jobs and better quality of life and has three main work streams:

#### *1) Responsible Sourcing*

The Twinings Ovaltine Code of Conduct and Human Rights Policy (both available on [www.sourcedwithcare.com](http://www.sourcedwithcare.com)) underpin the Company commitment to conduct business with integrity, to respect universal human rights and to uphold core labour principles. These commitments cover all our supply chains, from raw materials to packaging and indirect procurement.

The Code of Conduct is based upon the internationally recognised code of labour practice, the Ethical Trading Initiative (ETI) Base Code, which is itself founded on the main conventions of the International Labour Organisation (ILO). These principles also draw from the United Nations Declaration on Human Rights, the United Nations Guiding Principles on Business and Human Rights, and the BSR Gender Equality in Codes of Conduct Guidance.

#### Tier 1 suppliers

Through its Factory Monitoring and Improvement Programme, the Company monitors working conditions and supports continuous improvement in its tier 1 supply base which includes own operation, third party business partners manufacturing our branded products, suppliers providing packaging materials, gifting items, raw materials processors and third party warehousing.

Every new supplier in scope of the programme is assessed for risk, based on the labour rights conditions of the country, the vulnerability of their workforce, the products they are making and the leverage within the business relationship. All of those assessed as high risk are audited. Spot check audits are implemented for suppliers assessed as medium and lower risk. These ethical audits are carried out by expert third parties and tailored where necessary to ensure they are as effective as possible.

Following the audit, sites must take corrective actions to resolve non-conformances within the timeframe specified on the audit. Most issues can be addressed by the factory independently, within an agreed timeframe. However, if we identify complex issues, we respond with an in-depth approach tailored to the specific needs of the site, such as capacity building for management or collaboration with other stakeholders.

Raw materials: the following raw materials have been prioritised: Tea, Peppermint, Camomile, Ginger, Hibiscus, Orange, Lemongrass, Rosehip, Lemon Peel, Spearmint, Blackberry Leaves, Linden, Cinnamon, Rooibos, Turmeric, Cardamom, Vanilla, Cocoa and Palm oil, based on risks and importance to the Company.

We use certification as a minimum sourcing requirement for our priority raw materials:

- 100% of its tea comes from gardens certified by third party sustainability standards
- 100% of its palm oil and palm kernel oil used in the products is RSPO certified
- Ovaltine in the European market is made using 100% Rainforest Alliance certified cocoa and the business is committed to 100% certified worldwide by 2025.
- Over 80% of its priority herbs and spices comes from sustainable sources.

We also members of relevant sector specific initiatives including International Cocoa Initiative, World Cocoa Foundation, Ethical Tea Partnership, Sustainable Spices Initiatives, and Roundtable for Sustainable Palm Oil, to help tackle industry systemic issues.

#### *2) 'Sourced with Care' Programme:*

The Company's Sourced with Care programme works to improve quality of life in the communities growing its tea and herbs. Twinings go beyond traditional auditing practices and its in-country teams assess needs of workers, farmers and communities in its supply chain, from housing, health and nutrition to livelihoods and children's rights – using the Twinings Community Needs Assessment. To date, TCNA have been conducted in China, India, Indonesia, Sri Lanka, Kenya and other key sourcing regions.

## Directors' Report (continued)

### Social Impact and Sustainability (continued)

The assessments provide the basis for an action plan with producers and direct interventions to drive systemic change on the ground:

- Providing environment free from violence and harassment for women and girls;
- Empowering women through health;
- Improving smallholders' income and resilience to climate change;
- Accelerating provision of adequate water and sanitation;
- Working towards closing the living wage gap.

Through our work on the ground and in our supply chain, we support the United Nations Sustainable Development Goals (SDGs) in its ambition to achieve a better world for all. We contribute to the following SDGs: 1, 3, 4, 5, 6, 8, 17.

More details about the programme can be found on the Company's dedicated Sourced with Care website: [www.sourcedwithcare.com](http://www.sourcedwithcare.com)

### 3) Nature

The Company is committed to make its tea and infusions carbon neutral by 2030.

Twinings' own operations, located in the UK and Poland, have now been certified carbon neutral for Scope 1 and 2 emissions by the Carbon Trust. The Twinings climate action strategy is 'Measure, Reduce, Compensate' and to achieve this, Twinings factories in UK and Poland have implemented detailed carbon management plans. These have involved a range of measures, including switching to LED lighting, updating building management systems and embedding a culture that prioritises saving energy. In Poland, solar panels have also been installed.

Residual emissions have been offset through projects carried out by Climate Impact Partners, who support access to clean cookstoves and water filters in Kenya. The introduction of better designed cookstoves in homes can result in less use of solid fuel, cutting emissions and reducing costs. Using water filters also contributes to both of these outcomes by eliminating the need to boil water before use.

### Employees

The Company is committed to the further development of employee information and consultation. This is achieved both in conjunction with trade union representatives and through briefing sessions with wider groups of employees. It is the policy of the Company to offer equal opportunities to disabled persons in recruitment, by retaining all those who become disabled during their employment, through training and career development, and having due regard to their aptitudes and abilities in relation to the jobs available.

### Health, Safety and Environment

The Company and the broader group of which it forms part, 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.

### Political Contributions

The Company made no political contributions during the period (2021: £nil).

### Directors' indemnity

The directors have benefited from the Associated British Foods plc group Directors and Officers Insurance policy.

### 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 94 to 101 of the 2022 Annual Report, which is available at [www.abf.co.uk](http://www.abf.co.uk).



## 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 enquiries and considering the support available from the intermediate parent company described above, the directors have a reasonable expectation that the Company has adequate resources to continue in operation for 12 months from the date of signing of these financial statements. These considerations included the ABF group's directors' assessment of going concern (set out in the Annual Report and Accounts dated 8 November 2022 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 2 March 2024, 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.

### Streamlined Energy and Carbon Reporting

In compliance with UK reporting requirements (Streamlined Energy and Carbon Reporting), we provide our UK energy and greenhouse emissions data in the table below.

The period for which the information is reported (namely 1 August 2021 to 31 July 2022) is different from the period in respect of which the directors report is prepared as the information for the period 1 August 2021 to 31 July 2022 has been externally assured.

The Twinings climate action strategy is 'Measure, Reduce, Compensate' and to achieve this, we have implemented detailed carbon management plans. This year, the principal energy efficiency measures to reduce our carbon emissions have included greater use of renewable energy and carbon offsetting, switching to LED lighting, updating building management systems and embedding a culture that prioritises saving energy. Our UK operations are certified carbon neutral for Scope 1 and 2 emissions by The Carbon Trust.

In addition to our work on site, we have set a target of carbon neutrality 'from bush to shelf' for tea and herbal infusions by 2030. We are reducing carbon emissions in our supply chain by partnering with climate organisations to offset any unavoidable carbon emissions through community projects in tea-growing communities. Examples include supplying cleaner stoves that burn less wood, and water purifiers to displace the use of firewood fuel traditionally used to boil water for domestic consumption in Kenya.

### Streamlined energy and carbon reporting 2022

	2022	2021
Scope 1 emissions	521 tCO <sub>2</sub> e	717 tCO <sub>2</sub> e
Scope 2 emissions	738 tCO <sub>2</sub> e	898 tCO <sub>2</sub> e
Energy use	6,160,143 kWh	7,021,844 kWh
Emissions intensity (scopes 1 and 2 emissions)	5.68 tonnes of CO <sub>2</sub> e per £1m of revenue.	7.27 tonnes of CO <sub>2</sub> e per £1m of revenue.

We report our GHG inventory using the WRI/WBCSD GHG Protocol Corporate Accounting and Reporting Standard Revised Edition as our framework for calculations and disclosure. We use carbon conversion factors published by the UK's Department for Business, Energy and Industrial Strategy ("BEIS") in July 2022, other internationally recognised sources, and bespoke factors based on laboratory calculations at selected locations. This includes all activities where we have operational control.

## Directors' Report (continued)

### Engagement with employees

Details of how the directors have engaged with employees and how the directors have had regard to employee interests, and the effect of that regard including on the principal decisions taken by the Company are set out on pages 4 and 5.

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

Details of 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 are set out on pages 4 and 5.

Details of our engagement with supply chains to monitor and improve conditions are set out in our Social Impact statement on pages 7 and 8.

### Italian Branch

The Company has an overseas branch based in Milan, Italy.

### Auditors

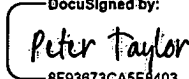
Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

### Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the Directors' Report are listed on page 6. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

- so far as they are each aware, there is no relevant audit information (that is, information needed by the Company's auditor in connection with the preparation of the audit report) of which the Company's auditor is unaware; and
- each director has taken all the steps a director might reasonably be expected to take to be aware of relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the board

DocuSigned by:  
  
PR Taylor  
8F93673CA5E8403...  
Director  
20 December 2022

Registered Office  
Weston Centre  
10 Grosvenor Street  
London  
W1K 4QY

## Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the Financial Statements in accordance with applicable UK law and regulations.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF R.TWINING AND COMPANY LIMITED**

### **Opinion**

We have audited the financial statements of R. Twining and Company Limited for the year ended 31 August 2022 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 August 2022 and of its profit 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 of 18 months from when the financial statements are authorised for issue, being February 2024.

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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF R.TWINING AND COMPANY LIMITED  
(continued)**

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 this gives rise to 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.

**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 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF R.TWINING AND COMPANY LIMITED  
 (continued)**

**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.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (United Kingdom Generally Accepted Accounting Practice, FRS 101), the Companies Act 2006 and relevant direct and indirect tax compliance regulations in the United Kingdom.
- We understood how R. Twining and Company Limited is complying with those frameworks by making enquiries of management, internal legal counsel and those charged with governance. We corroborated our enquiries through our review of board minutes, inspection of the code of conduct and noted that there was no contradictory evidence. We understood the potential incentives and ability of management to override controls and considered management's attitude and tone at the top to embed a culture of honesty and ethical behaviour. We further obtained an understanding of the adoption of accounting standards and considered the compliance with the above laws and corroborated this through journal entry testing and journals indicating large or unusual transactions based on our understanding of the business.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by discussing with management from various parts of the business to understand where it considered there was susceptibility to fraud and by assessing key assumptions over significant estimates made by management for evidence of bias. We also considered pressure on the Company to meet expectations and targets. Management reward and incentive schemes, based on achieving profit targets and working capital as a percentage of revenue targets, may also place pressure on management to manipulate revenue recognition. Management estimates the level of trade promotions and rebates to be applied to its sales to customers, adding a level of judgement to revenue recognition. There is a risk that management may override controls intentionally to misstate revenue transactions by recording fictitious revenue transactions.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved:
  - Enquiry of management and those charged with governance as to any fraud identified or suspected in the period, any actual or potential litigation or claims or breaches of significant laws or regulations applicable to the company; and
  - We understood the Company's revenue recognition policies and how they are applied, including the relevant controls; and
  - We considered how the uncertainties surrounding the COVID-19 pandemic and macroeconomic impacts (e.g., inflation, interest rate increase, energy and supply chain) affect contracts with customers, considering collectability, price concessions and selling prices. We discussed key contractual arrangements with management and obtained relevant documentation, including in respect of rebate arrangements; and
  - Where rebate arrangements existed, on a sample basis, we obtained third-party confirmations or performed appropriate alternative procedures, including reviewing contracts and recalculating rebates. We also performed hindsight analysis over changes to prior period rebate estimates to challenge the assumptions made, including assessing the estimates for evidence of management bias; and
  - As part of our overall revenue recognition testing, we used data analysis tools on 100% of revenue transactions in the period to test the correlation of revenue to cash journals, and sample tested to cash receipts to verify the occurrence of revenue; and
  - We performed other audit procedures specifically designed to address the risk of management override of controls including journal entry testing, applying particular focus to manual journals (e.g. analysis of percentage of manual journals, volume or number and value (debits), percentage of manual journals posted at weekend, percentage of manual out of hour journals, number of journals posted by CFO and FC or equivalent and percentage of manual journals over allocated threshold).

R.Twining and Company Limited  
Company number 00525071  
Annual report and financial statements  
Year ended 31 August 2022

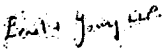
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF R.TWINING AND COMPANY LIMITED  
(continued)**

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.

DocuSigned by:



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James Harris (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Southampton  
Date 21 December 2022

## Income statement

for the year ended 31 August 2022

	<i>Note</i>	<b>Year ended 31 August 2022 £000</b>	<b>Year ended 31 August 2021 £000</b>
Revenue	3	221,591	221,894
Cost of sales		(92,674)	(98,780)
<b>Gross profit</b>		<b>128,917</b>	<b>123,114</b>
Selling and Distribution costs		(23,528)	(19,507)
Administrative expenses		(30,777)	(27,902)
Other operating income		6,990	2,477
<b>Operating profit</b>	4	<b>81,602</b>	<b>78,182</b>
Interest receivable		4,081	3,206
<b>Profit on ordinary activities before taxation</b>		<b>85,683</b>	<b>81,388</b>
Tax on profit on ordinary activities	6	(25,641)	(16,641)
<b>Profit for the financial year</b>		<b>60,042</b>	<b>64,747</b>

All revenue and operating profit is derived from continuing activities.

A statement of movements in reserves is given in note 17.

The notes on pages 20 to 38 form part of these financial statements.



**Statement of comprehensive income**  
*for the year ended 31 August 2022*

	Year ended 31 August 2022 £000	Year ended 31 August 2021 £000
Profit for the financial year	60,042	64,747
Other comprehensive (loss) / income		
Movement in cash flow hedging position	(838)	(948)
Deferred tax on movement in cash flow hedging position	202	176
	<hr/>	<hr/>
Items that are or may be subsequently reclassified to profit and loss	(636)	(772)
	<hr/>	<hr/>
Total comprehensive income for the year attributable to equity shareholders	59,406	63,975
	<hr/> <hr/>	<hr/> <hr/>

**Statement of changes in equity**  
*for the year ended 31 August 2022*

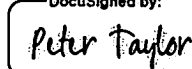
	Share capital	Share premium	Capital reserve	Share-based payment reserve	Cash flow hedge Reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>At 31 August 2020</b>	41	108	8,247	2,194	866	300,712	312,168
Profit for the financial year	-	-	-	-	-	64,747	64,747
Other comprehensive income	-	-	-	-	(772)	-	(772)
<b>Total comprehensive income for the year</b>	-	-	-	-	(772)	64,747	63,975
Share-based payment transactions	-	-	1,234	(756)	-	-	478
<b>At 31 August 2021</b>	41	108	9,481	1,438	94	365,459	376,621
Profit for the financial year	-	-	-	-	-	60,042	60,042
Other comprehensive income	-	-	-	-	(636)	-	(636)
<b>Total comprehensive income for the year</b>	-	-	-	-	(636)	60,042	59,406
<b>Transactions with Owners</b>							
Share-based payment transactions	-	-	1,023	(1,209)	-	-	(186)
Issue of share capital	3,254	11,629	-	-	-	-	14,883
<b>Total Transactions with owners</b>	3,254	11,629	1,023	(1,209)	-	-	14,697
Recognise reserves relating to branch	-	-	-	-	-	564	564
<b>At 31 August 2022</b>	3,295	11,737	10,504	229	(542)	426,065	451,288

**Balance sheet**  
*as at 31 August 2022*

	<i>Note</i>	<b>31 August 2022</b>		<b>31 August 2021</b>	
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Non-current assets</b>					
Intangible assets	7	29,946		3,222	
Property, plant and equipment - owned	8	25,083		25,936	
Right-of-use assets	9	2,362		2,169	
			<u>57,391</u>		<u>31,327</u>
<b>Current assets</b>					
Stocks	11	14,551		12,324	
Debtors	12	425,910		365,232	
Cash at bank and in hand		1,180		5	
			<u>441,641</u>		<u>377,561</u>
<b>Current liabilities</b>					
Lease liabilities	14	(260)		(339)	
Other liabilities falling due within one year	13	(44,933)		(28,656)	
		<u>(45,193)</u>		<u>(28,995)</u>	
<b>Net current assets</b>			<u>396,448</u>		<u>348,566</u>
<b>Total assets less current liabilities</b>			<u>453,839</u>		<u>379,893</u>
<b>Non-current liabilities</b>					
Provisions for liabilities and charges	15	(255)		(1,017)	
Lease liabilities	14	(2,296)		(2,255)	
			<u>(2,551)</u>		<u>(3,272)</u>
<b>Net assets</b>			<u>451,288</u>		<u>376,621</u>
<b>Capital and reserves</b>					
Called up share capital	16	3,295		41	
Share premium account	17	11,737		108	
Capital reserve	17	10,504		9,481	
Share-based payment reserve	17	229		1,438	
Cash flow hedge reserve	17	(542)		94	
Retained earnings	17	426,065		365,459	
			<u>451,288</u>		<u>376,621</u>
<b>Total Equity</b>			<u>451,288</u>		<u>376,621</u>

The notes on pages 20 to 38 form part of these financial statements.

These financial statements were approved by the board of directors on 20 December 2022 and were signed on its behalf by:

DocuSigned by:  
  
 PR Taylor  
 RF83873CA5E8403...

Director

Registered number: 00525071

## Notes

*(forming part of the financial statements)*

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

The financial statements of the Company for the year ended 31 August 2022 were authorised for issue by the board of directors on 20 December 2022 and the balance sheet was signed on the board's behalf by Peter Taylor. The Company is incorporated and domiciled in England and Wales. The address of the Company's registered office is Weston Centre, 10 Grosvenor Street, London, W1K 4QY.

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

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

The results of the Company are included in the consolidated financial statements of Associated British Foods plc which are available at Weston Centre, 10 Grosvenor Street, London, W1K 4QY. They are also available for download on the group's website at [www.abf.co.uk](http://www.abf.co.uk).

The principal accounting policies adopted by the Company are set out in note 2.

### 2 Accounting policies

#### Basis of preparation

The Company prepared the accounts for this period under FRS 101. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 August 2022.

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

- a) The requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-based Payment, because the share-based payment arrangement concerns the instruments of another group entity;
- b) The requirements of IFRS 9 Financial instruments: Recognition and Disclosures;
- c) The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- d) The requirements 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(3) of IAS 16 Property, Plant and Equipment;
  - iii. Paragraph 118(e) of IAS 38 Intangible Assets
- e) The requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- f) The requirements of IAS 7 Statement of Cash Flows;
- g) The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- 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;
- i) The requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- j) 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; and
- k) The requirements of paragraphs 39 and B11 of IFRS 7 Financial Instruments: Disclosures.

## **Notes** *(continued)*

### **Basis of preparation** *(continued)*

#### **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 the Annual Report and Accounts dated 8 November 2022 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 12 months from the date of signing of these financial statements.

After making enquiries and considering the support available from the intermediate parent company described above, the directors have a reasonable expectation that the Company has adequate resources to continue in operation for 12 months from the date of signing of these financial statements. These considerations included the ABF group's directors' assessment of going concern (set out in the Annual Report and Accounts dated 8 November 2022 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 2 March 2024, 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.

#### ***Changes in accounting policies: New Standards, interpretations and amendments effective***

No new accounting standards were adopted during the year which had a significant impact on the Company.

## Notes (continued)

### Accounting policies (continued)

#### Revenue

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.

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

Revenue from the sale of goods is generally recognised on dispatch or delivery to customers, dependent on shipping terms. Discounts and returns are provided for as a reduction to revenue when sales are recorded, based on management's best estimate of the amount required to meet claims by customers, taking into account contractual and legal obligations, historical trends and past experience. Royalty revenue is recognised on an accrual basis in accordance with the substance of the relevant sales agreement (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

#### Property, plant, equipment and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and impairment charges.

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives which are generally deemed to be no longer than:

Freehold buildings	-	50 years
Leasehold land and buildings	-	life of lease
Plant and machinery, fixtures & fittings	-	5-12 years
Motor vehicles	-	5 years

No depreciation is provided on freehold land.

#### Leases

A lease is an agreement whereby the lessor conveys to the lessee, in return for a payment or a series of payments, the right to use a specific asset for an agreed period.

#### 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.

**Notes** *(continued)***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. 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 Company 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.

**Intangible assets**

Intangible assets are measured at cost less accumulated amortisation and impairment charges. Computer software is amortised on a straight-line basis over its estimated useful economic life which is deemed to be no longer than 7 years. Intellectual property and trademarks are determined to have an indefinite useful life and are not amortised.

The carrying values of the Company's intangible assets and PPE are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively.

**Provisions for liabilities**

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

## **Notes** *(continued)*

### **Accounting policies** *(continued)*

#### **Stocks**

Inventories are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

#### **Income tax**

Income tax on profit or loss for the period comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items taken directly to equity.

Current tax is the tax expected to be payable on taxable income for the year, using tax rates enacted or substantively enacted during the period, together with any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill; initial recognition of assets or liabilities affecting neither accounting nor taxable profit other than those acquired in a business combination; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

#### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rate prevailing at the balance sheet date. Any resulting differences are taken to the income statement.

#### **Retirement benefits**

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



## **Notes** *(continued)*

### **Accounting policies** *(continued)*

#### **Share-based payments**

Associated British Foods plc 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. The fair value is measured at grant date and charged to the income statement over the period during which the employee becomes unconditionally entitled to the shares. The fair value of the shares allocated is measured taking into account the terms and conditions under which the shares were allocated. The amount recognised as an expense is adjusted to reflect the actual number of shares that vest.

#### **Research and development expenditure**

All research and development expenditure is charged to the income statement as incurred.

#### **Financial assets and liabilities**

Financial assets and liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provision of the instrument.

#### **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).

#### **Bank and other borrowings**

Interest-bearing bank loans and overdrafts are initially recorded at fair value, which equals the proceeds received, net of direct issue costs. They are subsequently held at amortised cost. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for using an effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Other borrowings are initially measured at fair value net of direct issue costs and are subsequently held at amortised cost unless the loan is designated in a hedge relationship, in which case hedge accounting treatment will apply.

#### **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.

## **Notes** *(continued)*

### **Accounting policies** *(continued)*

#### **Cash and cash equivalents**

Cash and cash equivalents comprise bank and cash balances and call deposits.

#### **Derivatives financial instruments and hedging**

Derivatives are used to manage the Company's economic exposure to financial and commodity risks. The only instruments used are foreign exchange contracts (the 'hedging instrument'). The Company does not use derivatives for speculative purposes.

Derivatives are recognised in the balance sheet at fair value, based on market prices or rates, or calculated using either discounted cash flow or option pricing models.

Changes in the value of derivatives are recognised in the income statement unless they qualify for hedge accounting, when recognition of any change in fair value depends on the nature of the item being hedged.

The purpose of hedge accounting is to mitigate the impact on the Company's income statement of changes in foreign exchange rates, by matching the impact of the hedged risk and the hedging instrument in the income statement.

At the inception of a hedging relationship, the hedging instrument and the hedged item are documented, along with the risk management objectives and strategy for undertaking various hedge transactions and prospective effectiveness testing is performed.

During the life of the hedging relationship, prospective effectiveness testing is performed (previously, both prospective and retrospective tests were required) to ensure the instrument remains an effective hedge of the transaction.

Changes in the value of derivatives used as hedges of future cash flows are recognised through other comprehensive income in the hedging reserve.

The element of the change in fair value which relates to the currency spread is recognised in the cost of hedging reserve, with the remaining change in fair value recognised in the hedging reserve.

When the future cash flow results in the recognition of a non-financial asset or liability, then at the time the asset or liability is recognised, the related gains and losses previously recognised in the hedging reserve are included in the initial measurement of that asset or liability.

For hedges that do not result in the recognition of an asset or liability, amounts recorded in the hedging reserve are recognised in the income statement in the same period in which the hedged item affects profit or loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in the hedging reserve is retained in the hedging reserve until the forecast transaction occurs. Gains or losses on hedging instruments relating to an underlying exposure that no longer exists are taken to the income statement.

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

## Notes (continued)

### 3 Analysis of revenue

	Year ended 31 August 2022 £000	Year ended 31 August 2021 £000
<i>Revenue comprises:</i>		
United Kingdom	101,292	105,580
Export	88,407	86,422
Royalties	31,892	29,892
	<hr/>	<hr/>
	221,591	221,894
	<hr/> <hr/>	<hr/> <hr/>

No revenue is generated from the sale of services.

### 4 Operating profit

	Year ended 31 August 2022 £000	Year ended 31 August 2021 £000
<i>Operating profit is stated after charging/(crediting):</i>		
Depreciation	3,916	3,934
Amortisation	554	846
Hire of plant and machinery – low value and short term leases	30	16
(Profit) / loss on disposal of fixed assets	(138)	66
Research and development expenditure	1,436	1,197
Research and development expenditure credit (within other operating income)	(45)	(30)
Foreign exchange gains on operating activities	(5,686)	(4,661)
Foreign exchange losses on operating activities	4,879	5,139
Cost of stocks recognised as an expense (included in cost of sales)	84,974	91,702
Including:		
- Write down of stocks to net realisable value	264	218
Auditor's remuneration:		
Audit of these financial statements	215	202
All other services	-	-
	<hr/>	<hr/>

### 5 Staff costs and directors' remuneration

The average number of persons employed by the Company (including directors) during the period, analysed by category, was as follows:

	Year ended 31 August 2022	Year ended 31 August 2021
Production	98	97
Administration	307	306
	<hr/>	<hr/>
	405	403
	<hr/> <hr/>	<hr/> <hr/>

## Notes (continued)

### 5 Staff costs and directors' remuneration (continued)

The aggregate staff costs were as follows:

	Year ended 31 August 2022 £000	Year ended 31 August 2021 £000
Wages and salaries	28,834	28,353
Social security costs	3,329	3,009
Other pension costs	2,183	2,184
	<u>34,346</u>	<u>33,546</u>

Included in other pension costs are £403,000 (2021: £482,000) in respect of defined benefit schemes and £1,780,000 (2021: £1,702,000) in respect of the defined contribution scheme.

	Year ended 31 August 2022 £000	Year ended 31 August 2021 £000
<b>Directors' emoluments</b>		
Remuneration	1,713	1,561
Amounts receivable under long-term incentive plans	44	336
Pension contributions	-	-
	<u>1,757</u>	<u>1,897</u>

Three directors are entitled to receive shares under the Associated British Foods plc Share Incentive Plan.

The aggregate emoluments of the highest paid director were £715,195 (2021: £837,034).

	Number of directors 2022	2021
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	-	1
	<u>-</u>	<u>1</u>

## Notes (continued)

### 6 Taxation

#### Analysis of charge

	Year ended 31 August 2022 £000	Year ended 31 August 2021 £000
<i>UK corporation tax</i>		
Current tax on income for the period	21,480	16,823
Adjustments in respect of prior periods	3,237	32
	<hr/>	<hr/>
Total current tax	24,717	16,855
<i>Deferred tax</i>		
Origination/reversal of timing differences	695	(119)
Adjustment in respect of previous years	(95)	(246)
Effect of change in tax rate	324	151
	<hr/>	<hr/>
	924	(214)
	<hr/>	<hr/>
Tax on profit on ordinary activities	25,641	16,641
	<hr/>	<hr/>
Income tax recognised directly in equity associated with movement in cash flow hedging position	(202)	(176)
	<hr/>	<hr/>

#### Total tax reconciliation

	Year ended 31 August 2022 £000	Year ended 31 August 2021 £000
Profit on ordinary activities before tax	85,683	81,388
	<hr/>	<hr/>
Current tax at effective rate 19% (2021: 19.00%)	16,280	15,464
<i>Effects of:</i>		
Effect of rate change	324	151
Expenses not deductible	5,895	1,240
Adjustments to tax charge in respect of previous years	3,142	(214)
	<hr/>	<hr/>
Total tax charge	<u>25,641</u>	<u>16,641</u>

## Notes (continued)

### 6 Taxation (continued)

	Year ended 31 August 2022 £000	Year ended 31 August 2021 £000
<b>Deferred tax liability</b>	(255)	(1,017)
<i>Made up of:</i>		
ACAs	(1,267)	(1,007)
IFRS 16 transitional adjustment	53	13
Deferred tax on hedging reserve	179	(23)
Non Operating intangibles	779	-
Other timing differences	1	-
<b>Movement in deferred tax provision</b>		
Brought forward	(1,017)	(1,406)
(Charge) / Credit to profit and loss account	(924)	213
(Charge) / Credit to reserves	202	176
Recognised on asset acquisition	<u>1,484</u>	<u>-</u>
Carried forward	<u>(255)</u>	<u>(1,017)</u>

#### Factors affecting future tax charges

The UK corporation tax rate of 19% is set to increase to 25% from 1 April 2023. The legislation to effect these changes was enacted before the balance sheet date and UK deferred tax has been calculated accordingly.

## Notes (continued)

### 7 Intangible assets

	Computer Software	Intellectual property and trademarks	Total
	£000	£000	£000
<i>Cost</i>			
At beginning of period	19,641	-	19,641
Additions	12,467	14,884	27,351
Disposals	(834)	-	(834)
	<u>31,274</u>	<u>14,884</u>	<u>46,158</u>
At end of period			
<i>Accumulated amortisation</i>			
At beginning of period	16,419	-	16,419
Charge in the period	554	-	554
Disposals	(761)	-	(761)
	<u>16,212</u>	<u>-</u>	<u>16,212</u>
At end of period			
<i>Net book value</i>			
At 31 August 2022	<u>15,062</u>	<u>14,884</u>	<u>29,946</u>
At 31 August 2021	<u>3,222</u>	<u>-</u>	<u>3,222</u>

Intellectual property and trademarks of £14,884,000 represent intangible balances transferred from a group entity in relation to the Company's Malt products business. Management have reviewed the expected useful life of these assets and determined that it is indefinite.

Computer software of £15,062,000 is determined to have a finite useful life and assets are amortised over their individual expected useful lives. Due to a significant transformation project during the period, we have incurred £12,467,000 to upgrade our systems and processes which will lead to benefits in future years.

**Notes** (continued)

**8 Property, plant and equipment - owned**

	Land and buildings £000	Plant and machinery £000	Fixtures and fittings £000	Motor vehicles £000	Assets under construction £000	Total £000
<i>Cost or valuation</i>						
At beginning of period	4,508	29,965	9,607	555	2,074	46,709
Additions	-	1,654	443	105	1,770	3,972
Disposals	-	(2,375)	(434)	(141)	(8)	(2,958)
Transfers	-	2,037	-	-	(2,037)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of period	4,508	31,281	9,616	519	1,799	47,723
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>						
At beginning of period	2,651	13,512	4,321	289	-	20,773
Charge for period	76	2,655	870	107	-	3,708
Disposals	-	(1,306)	(426)	(109)	-	(1,841)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of period	2,727	14,861	4,765	287	-	22,640
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>						
At 31 August 2022	1,781	16,420	4,851	232	1,799	25,083
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 August 2021	1,857	16,453	5,286	266	2,074	25,936
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Analysis of land and buildings at net book value:

	Year ended 31 August 2022 £000	Year ended 31 August 2021 £000
Freehold	18	18
Leasehold	1,763	1,839
	<hr/>	<hr/>
	1,781	1,857
	<hr/>	<hr/>



## Notes (continued)

### 9 Right-of-use assets

	Land and buildings £000	Plant and machinery £000	Total £000
<i>Cost or valuation</i>			
At beginning of period	2,292	315	2,607
Additions	325	76	401
Disposals	-	-	-
	<hr/>	<hr/>	<hr/>
At end of period	2,617	391	3,008
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At beginning of period	235	203	438
Charge for period	117	91	208
Disposals	-	-	-
	<hr/>	<hr/>	<hr/>
At end of period	352	294	646
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 August 2022	<u>2,265</u>	<u>97</u>	<u>2,362</u>
At 31 August 2021	<u>2,057</u>	<u>112</u>	<u>2,169</u>

### 10 Commitments

The Company had capital expenditure commitments at 31 August 2022 of £2,206,000 (2021: £5,040,000).

## Notes (continued)

### 11 Stocks

	Year ended 31 August 2022 £000	Year ended 31 August 2021 £000
Raw materials and consumables	4,486	4,990
Work in progress	214	328
Finished goods and goods for resale	9,851	7,006
	<u>14,551</u>	<u>12,324</u>

### 12 Debtors

	Year ended 31 August 2022 £000	Year ended 31 August 2021 £000
<i>Amounts falling due within one year</i>		
Trade debtors	26,948	25,168
Amounts owed by fellow subsidiaries	33,410	20,184
Amounts owed by parent company	358,322	314,628
Other debtors	4,247	2,687
Financial instruments	953	1,256
Finance lease receivable	-	98
Prepayments and accrued income	2,030	1,211
	<u>425,910</u>	<u>365,232</u>

Financial instruments relate to forward currency derivative contracts.

## Notes (continued)

### 13 Creditors

	Year ended 31 August 2022	Year ended 31 August 2021
<i>Amounts falling due within one year</i>	<b>£000</b>	<b>£000</b>
Trade creditors	8,283	5,412
Amounts owed to fellow subsidiaries	4,691	3,904
Other creditors	1,645	136
Taxes and social security	203	116
Financial instruments	1,900	692
Accruals and deferred income	12,387	11,654
Amounts owed to group entities in respect of corporation tax	15,824	6,742
	<u>44,933</u>	<u>28,656</u>

Financial instruments relate to forward currency derivative contracts.

### 14 Lease liabilities

	Year ended 31 August 2022
	<b>£000</b>
At beginning of period	2,594
Interest charged	18
New leases in the period	386
Lease payments	(442)
At end of period	<u>2,556</u>

Lease liabilities include £260,000 due within one year (2021: £339,000) and £2,296,000 due after one year (2021: £2,255,000).

## Notes (continued)

### 15 Provisions for liabilities and charges

	Deferred tax £000
At beginning of period	1,017
Deferred tax on hedging reserves	(202)
Deferred tax asset recognised on asset acquisition	(1,484)
(Credited) / Debited to profit and loss for the period	924
At end of period	<u>255</u>

### 16 Called up share capital

	31 August 2022		31 August 2021	
	Number	£000	Number	£000
<i>Issued and fully paid</i>				
Ordinary shares of £1 each	3,295,151	3,295	40,940	41
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

During the year, the issued share capital was increased by £3,254,211 by the issue of 3,254,211 ordinary shares of £1 each.

### 17 Reserves

	Share premium account	Capital reserve	Share- based payment reserve	Cash flow hedge reserve	Retained earnings	Total
	£000	£000	£000	£000	£000	£000
At 31 August 2021	108	9,481	1,438	94	365,459	376,580
Profit for the financial year	-	-	-	-	60,042	60,042
Net movements on cash flow hedges (net of tax)	-	-	-	(636)	-	(636)
Allotment of shares	11,629	-	-	-	-	11,629
Recognition of branch reserves	-	-	-	-	564	564
Share-based payments transactions	-	1,023	(1,209)	-	-	(186)
At end of period	<u>11,737</u>	<u>10,504</u>	<u>229</u>	<u>(542)</u>	<u>426,065</u>	<u>447,993</u>

**Notes** *(continued)***18 Capital reserve**

This reserve records the value of expired LTIP share schemes (capital contribution by parent company).

The LTIP takes the form of conditional allocations of shares which are released if, and to the extent that, performance targets are satisfied, typically over a three-year performance period. Further information can be found within the Associated British Foods plc financial statements which may be obtained at the address detailed in note 24.

The fair value of the shares granted to employees under the LTIP is measured at the market price of the entity's shares, adjusted to take into account the terms and conditions upon which the shares were granted. As the performance conditions attached to the shares are not market performance related, the best estimate of fair value is considered to be market value at date of grant. No changes are subsequently made for changes in the share price after the grant date. The charge is spread over the term to vesting date.

During the year 53,298 shares (2021: 74,784) were issued to employees under the LTIP. The weighted average share price at the date of grant was £24.84 (2021: £30.57). The Company recognised a total equity-settled share-based payment credit of £186,000 (2021: £478,000 expense), with a corresponding entry in reserves.

There are 207,646 shares outstanding at the balance sheet date (2021: 216,685 shares).

**19 Cash flow hedge reserve**

The hedging reserve comprises all changes in 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.

**20 Equity share capital**

The balance classified as equity share capital includes the total net proceeds (both nominal value and share premium) on issue of the Company's ordinary equity share capital.

**21 Share-based payment reserve**

This reserve records the value of unexpired LTIP share-based payment schemes.

**22 Pensions**

The Company is a member of the Associated British Foods Pension Scheme which provides benefits based on final pensionable pay. As 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 was valued at 17 September 2022 on the basis of IAS 19 *Employee Benefits* ("IAS19") by an independent qualified actuary for inclusion in the ABF group financial statements. The valuation of the Scheme above showed a surplus of £1,344m (2021: surplus £596m).

Full IAS 19 disclosures can be found within the annual report and accounts of the ABF group, which are available for download from the group's website at [www.abf.co.uk](http://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 £2,183,000 (2021: £2,184,000).

The most recent triennial valuation of the UK scheme was undertaken at 5 April 2020 which determined a deficit of £302m. The next triennial valuation is due at 5 April 2023.

## **Notes** *(continued)*

### **23 Contingent liabilities**

The Company has issued guarantees amounting to £100,000 (2021: £100,000).

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

### **24 Ultimate parent company**

The immediate parent company is Twining Crosfield & Co Limited, a company registered in England and Wales. The ultimate holding company is Wittington Investments Limited which is incorporated in Great Britain and registered in England and Wales.

The largest group in which the results of the Company are consolidated is headed by Wittington Investments Limited, incorporated in Great Britain. The smallest group in which they are consolidated is headed by Associated British Foods plc, which is incorporated in Great Britain and registered in England and Wales. The consolidated accounts of these groups are available to the public and may be obtained from 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).

### **25 Related party disclosures**

During the year the Company did not enter into any business transactions with other group companies that were not wholly owned subsidiaries of Associated British Foods plc. As such the Company is exempt from disclosing related party transactions entered into by virtue of the exemption offered under paragraph 8(k) of FRS101.