

R. Twining and Company Limited

Annual report and financial statements
for the year ended
31 August 2023

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 2023.

Business Review

Revenue has increased year on year by 2% with higher domestic sales and royalty income being marginally offset by a minor decline in export sales. Growth in the domestic market is driven by higher prices, revised promotion plans and continued recovery of the out of home market. Grocery volumes have declined (mitigating the price impact) which is reflective of wider market trends.

Operating profit is down 2% year on year. Despite increased sales, input costs have also increased and there has been increased investment for future growth in both advertising and promotion in key export markets and in the Company's project, which will upgrade our systems and processes and lead to benefits in future years.

Profit after tax is higher due to increased interest on loan balances with group companies.

Key Performance Indicators ("KPIs")

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

	2023	2022
	£'000	£'000
Revenue (as reported)	226,744	221,591
Operating profit	80,089	81,602
Profit for the financial year after tax	76,955	60,042
Shareholder's equity	530,360	451,288
Gross profit margin	58%	58%
Operating profit margin	35%	37%
Working capital as a percentage of sales	8%	9%

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 68 to 75 of the 2023 Annual Report, which is available at 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 46 of the Associated British Foods plc Annual Report and Accounts 2023. Please also see the Associated British Foods plc section 172 statement on pages 40 to 45 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 2023, the Company employed 421 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.

- Supply chain inflation – Our business has faced cost pressures in many areas of expenditure during the year. When managing these pressures, we have considered the impact on our customers, employees and suppliers.
- Business Transformation – A significant business transformation project has continued during the period which involves significant investment in our systems and processes. This project has a wide-ranging impact on our stakeholders which was considered during the scoping of this project and reassessed at key milestones.

By order of the board

DocuSigned by:

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PR Taylor
Director
15 December 2023

Registered Office
Weston Centre
10 Grosvenor Street
London
W1K 4QY

Directors' Report

The Directors present their report for the year ended 31 August 2023.

Directors of the Company

The directors who held office during the period were:

OK Silden
PR Taylor
GJD Sully

Secretary
RG Cahill

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 assets under forward currency contracts with a mark-to-market value of £1,669,000 (2022: liabilities of £947,000).

Dividends

An interim dividend was not paid during the current or prior year. The directors do not recommend payment of a final dividend (2022: £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

At Twinings, we take our social and environmental responsibilities extremely seriously. We have robust processes and systems in place, overseen by our Social Impact and Sustainability team which reports directly to Twinings CEO. We work to ensure compliance with our Ethical Code of Conduct, while also working to protect the planet and advancing quality of lives for people in our supply chain.

1) Responsible Sourcing and respecting human rights

The Twinings Ovaltine Code of Conduct and Human Rights Policy (both available on www.sourcedwithcare.com) underpin the Company's 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.

We work to identify any arising human rights issues through third party ethical audits, impact assessments (Twinings communities needs assessment; forced labour or gender deep dive assessments) and stakeholder engagement. Then, we proactively plan how to remediate the issues and prevent their reoccurrence in the future. In order to achieve this, we focus on the root causes of human rights issues and collaborate with other actors to bring about systemic change. We endeavour to work with our suppliers and their factories to ensure appropriate corrective actions are being implemented and to support them in improving their standards. Our first human rights report published in 2023 (available on www.sourcedwithcare.com), illustrates the work we are doing in this area.

- All high priority tier 1 sites are regularly audited by third party auditors.
- All tea gardens are covered by a Twinings community needs assessment.

In addition, we ensure that our key raw materials are sourced in line with sustainability standards:

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

2) Advancing quality of lives through our 'Sourced with Care' Programme

Sourced with Care aims to improve the quality of lives of workers, farmers and communities who grow our tea and herbs across 3 pillars:

- Living Standards Enabling access to sanitation, water and hygiene
- Livelihoods and Land Improving incomes and resilience for workers and farmers
- Life Opportunities Empowering women through health, protection and access to opportunities.

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

3) Protecting the planet

Twinings recognizes that we all have a responsibility to protect the planet we live on and is aware of the environmental impact of its own operations and industry. As such, we are committed to reducing our carbon footprint. We have been working to reduce the footprint of our own operations (scope 1 and 2), for example by switching to renewable energies and introducing energy efficient lights and we will continue to look carefully at ways to reduce our carbon emissions and promote energy saving and manufacturing efficiencies.

However, most of our carbon footprint lies in the value chain. We have developed a tool to assess the footprint of tea gardens and gather a consistent and comparable emissions factor from both the tea growing and tea manufacturing. This tool has been successfully piloted with key tea gardens and is in the process of being gradually rolled out to more to then help inform reduction strategies. Twinings is also piloting innovative nature-based approach to reduce carbon emissions in tea through regenerative agriculture practices.

Directors' Report (continued)

Social Impact and Sustainability (continued)

Now equipped with a robust footprint baseline from CarbonTrust as well as primary emissions factor from some of its key suppliers, Twinings in line with industry best practices, works with expert organisation to develop specific net zero targets. Twinings is also committed to work through the Ethical Tea Partnership to drive decarbonization in the tea sector.

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 (2022: £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 68 to 75 of the 2023 Annual Report, which is available at www.abf.co.uk.

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 7 November 2023 and available at www.abf.co.uk), which included the significant levels of cash and undrawn committed long-term facilities available to the group and the ABF group's directors' stress testing of cash flow forecasts through to 1 March 2025, and an assessment of any developments since that date that would adversely affect that conclusion. Accordingly, the financial statements have been prepared on the going concern basis.

Directors' Report (continued)

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 01 August 2022 to 31 July 2023) is different from the period in respect of which the directors report is prepared. We have used the information for the period 1 August 2022 to 31 July 2023 as this 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, evolving PhotoVoltaic project (design, compliance, purchase of equipment and start of installation works), installation of Power Voltage Optimisation units, implementing various small optimisation of equipment projects, embedding a culture that prioritises saving energy. Our UK operations are certified carbon neutral for Scope 1 and 2 emissions by The Carbon Trust.

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, more efficient cookstoves that burn renewable ethanol instead of wood in Kenya.

	2023	2022	2021
Scope 1 emissions	493 tCO _{2e}	521 tCO _{2e}	717 tCO _{2e}
Scope 2 location-based emissions	740 tCO _{2e}	738 tCO _{2e}	898 tCO _{2e}
Energy use	6,198,868 kWh	6,160,143 kWh	7,021,844 kWh
Emissions intensity (scopes 1 and 2 emissions)	25.44 tonnes of CO _{2e} per £1m of revenue	5.68 tonnes of CO _{2e} per £1m of revenue	7.27 tonnes of CO _{2e} 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 June 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

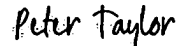
Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

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
Director
15 December 2023

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.

R.Twining and Company Limited
Company number 00525071
Annual report and financial statements
Year ended 31 August 2023

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 2023 which comprise Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet 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 31 August 2023 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 12 months from when the financial statements are audited, being the going concern assessment period.

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 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 performed procedures such as 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 2023

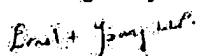
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF R.TWINING AND COMPANY LIMITED
(continued)**

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 15 December 2023

Income statement

for the year ended 31 August 2023

	<i>Note</i>	Year ended 31 August 2023 £000	Year ended 31 August 2022 £000
Revenue	3	226,744	221,591
Cost of sales		(96,282)	(92,674)
		<hr/>	<hr/>
Gross profit		130,462	128,917
Selling and Distribution costs		(28,444)	(23,528)
Administrative expenses		(35,791)	(30,777)
Other operating income		13,862	6,990
		<hr/>	<hr/>
Operating profit	4	80,089	81,602
Interest receivable	6	14,921	4,081
		<hr/>	<hr/>
Profit on ordinary activities before taxation		95,010	85,683
Tax on profit on ordinary activities	7	(18,055)	(25,641)
		<hr/>	<hr/>
Profit for the financial year		<u>76,955</u>	<u>60,042</u>

All revenue and operating profit is derived from continuing activities.

The notes on pages 20 to 37 form part of these financial statements.

R.Twining and Company Limited
 Company number 00525071
 Annual report and financial statements
 Year ended 31 August 2023

Statement of comprehensive income
for the year ended 31 August 2023

	Year ended 31 August 2023 £000	Year ended 31 August 2022 £000
Profit for the financial year	76,955	60,042
Other comprehensive loss	(10)	-
Movement in cash flow hedging position	4,632	(838)
Deferred tax on movement in cash flow hedging position	(506)	202
Items that are or may be subsequently reclassified to profit / (loss)	4,126	(636)
Total comprehensive income for the year	81,071	59,406

Statement of changes in equity
for the year ended 31 August 2023

	Share capital	Share premium	Capital reserve	Share-based payment reserve	Cash flow hedge Reserve	Translation reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 August 2021	41	108	9,481	1,438	94	-	365,459	376,621
Profit for the financial year	-	-	-	-	-	-	60,042	60,042
Other comprehensive loss	-	-	-	-	(636)	-	-	(636)
Total comprehensive income for the year	-	-	-	-	(636)	-	60,042	59,406
Share-based payment transactions	-	-	1,023	(1,209)	-	-	-	(186)
Issue of share capital	3,254	11,629	-	-	-	-	-	14,883
Total Transactions with owners	3,254	11,629	1,023	(1,209)	-	-	-	14,697
Recognise reserves relating to branch	-	-	-	-	-	-	564	564
At 31 August 2022	3,295	11,737	10,504	229	(542)	-	426,065	451,288
Profit for the financial year	-	-	-	-	-	-	76,955	76,955
Other comprehensive income / (loss)	-	-	-	-	4,126	(10)	-	4,116
Total comprehensive income for the year	-	-	-	-	4,126	(10)	76,955	81,071
Inventory cash flow hedge movements								
Amounts transferred to cost of inventory	-	-	-	-	(2,602)	-	-	(2,602)
Total inventory cash flow hedge movements	-	-	-	-	(2,602)	-	-	(2,602)
Transactions with Owners								
Share-based payment transactions	-	-	68	535	-	-	-	603
Total Transactions with owners	-	-	68	535	-	-	-	603
At 31 August 2023	3,295	11,737	10,572	764	982	(10)	503,020	530,360

R.Twining and Company Limited
Company number 00525071
Annual report and financial statements
Year ended 31 August 2023

Balance sheet
as at 31 August 2023

	Note	31 August 2023		31 August 2022	
		£000	£000	£000	£000
Non-current assets					
Intangible assets	8		44,242		29,946
Property, plant and equipment - owned	9		26,437		25,083
Right-of-use assets	10		2,247		2,362
			<hr/>		<hr/>
			72,926		57,391
Current assets					
Stocks	12	14,212		14,551	
Debtors	13	493,045		425,910	
Cash at bank and in hand		257		1,180	
		<hr/>		<hr/>	
		507,514		441,641	
Current liabilities					
Lease liabilities	15	(295)		(260)	
Other liabilities falling due within one year	14	(38,199)		(44,933)	
		<hr/>		<hr/>	
		(38,494)		(45,193)	
Net current assets			<hr/>		<hr/>
			469,020		396,448
Total assets less current liabilities			<hr/>		<hr/>
			541,946		453,839
Non-current liabilities					
Provisions for liabilities and charges	7	(9,432)		(255)	
Lease liabilities	14	(2,154)		(2,296)	
		<hr/>		<hr/>	
Net assets			<hr/>		<hr/>
			530,360		451,288
Capital and reserves					
Called up share capital	16		3,295		3,295
Share premium account	17		11,737		11,737
Capital reserve	17		10,572		10,504
Share-based payment reserve	17		764		229
Cash flow hedge reserve	17		982		(542)
Translation reserve	17		(10)		-
Retained earnings	17		503,020		426,065
			<hr/>		<hr/>
Total Equity			<hr/>		<hr/>
			530,360		451,288

The notes on pages 20 to 37 form part of these financial statements.

These financial statements were approved by the board of directors on 15 December 2023 and were signed on its behalf by:

DocuSigned by:

Peter Taylor

PR Taylor

Director

Registered number: 00525071

Notes

(forming part of the financial statements)

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

R. Twining and Company Limited is a private company limited by shares and is incorporated and domiciled in England and Wales. The registered office is Weston Centre, 10 Grosvenor Street, London W1K 4QY.

The Company's financial statements are presented in Sterling, rounded to the nearest thousand pounds except where otherwise indicated. The financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ('FRS 101') and the Companies Act 2006.

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.

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

2 Accounting policies

Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 August 2023.

The Company has taken advantage of the disclosure exemptions permitted by FRS 101 in relation to:

- 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 (standards not yet effective);
- 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.

Where required, the equivalent disclosures are included in the consolidated financial statements of Associated British Foods plc.

Notes *(continued)*

Basis of preparation *(continued)*

Going Concern

As set out in note 20, 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 7 November 2023 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 7 November 2023 and available at www.abf.co.uk), which included the significant levels of cash and undrawn committed long-term facilities available to the group and the ABF group's directors' stress testing of cash flow forecasts through to 1 March 2025, 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 2023 £000	Year ended 31 August 2022 £000
<i>Revenue comprises:</i>		
United Kingdom	106,664	101,292
Export	86,533	88,407
Royalties	33,547	31,892
	<u>226,744</u>	<u>221,591</u>

4 Operating profit

	Year ended 31 August 2023 £000	Year ended 31 August 2022 £000
<i>Operating profit is stated after charging/(crediting):</i>		
Depreciation	4,172	3,916
Amortisation	478	554
Hire of plant and machinery – low value and short term leases	35	30
Loss/(profit) on disposal of fixed assets	620	(138)
Research and development expenditure	2,316	1,436
Research and development expenditure credit (within other operating income)	(22)	(45)
Foreign exchange gains on operating activities	(5,667)	(5,686)
Foreign exchange losses on operating activities	6,547	4,879
Cost of stocks recognised as an expense (included in cost of sales)	89,132	84,974
Including:		
- Write down of stocks to net realisable value	187	264
Auditor's remuneration:		
Audit of these financial statements	262	215
	<u>262</u>	<u>215</u>

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 2023	Year ended 31 August 2022
Production	87	98
Administration	325	307
	<u>412</u>	<u>405</u>

Notes *(continued)*

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

The aggregate staff costs were as follows:

	Year ended 31 August 2023 £000	Year ended 31 August 2022 £000
Wages and salaries	29,936	28,834
Social security costs	3,612	3,329
Other pension costs	2,507	2,183
	<u>36,055</u>	<u>34,346</u>

Included in other pension costs are £396,000 (2022: £403,000) in respect of defined benefit schemes and £2,111,000 (2022: £1,780,000) in respect of the defined contribution scheme.

	Year ended 31 August 2023 £000	Year ended 31 August 2022 £000
Directors' emoluments		
Remuneration	1,762	1,713
Amounts receivable under long-term incentive plans	225	44
	<u>1,990</u>	<u>1,757</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 £1,064,423 (2022: £715,195).

Notes *(continued)*

6 Interest receivable

Interest receivable of £14,921,000 (2022: £4,081,000) is derived from the balance due from parent company.

7 Taxation

Analysis of charge

	Year ended 31 August 2023 £000	Year ended 31 August 2022 £000
<i>Current tax</i>		
UK – Current tax on income for the year	9,548	21,480
UK - Adjustments in respect of prior years	(240)	3,237
Overseas - current tax on income for the year	39	-
Overseas - adjustments in respect of prior years	37	-
	<hr/>	<hr/>
Total current tax charge	9,384	24,717
<i>Deferred tax</i>		
Origination/reversal of timing differences	4,395	695
Adjustment in respect of previous years	3,565	(95)
Effect of change in tax rate	711	324
	<hr/>	<hr/>
Total deferred tax charge	8,671	924
Total tax charge on profit on ordinary activities	<u>18,055</u>	<u>25,641</u>
Deferred tax recognised directly in equity associated with movement in cash flow hedging position	<u>506</u>	<u>(202)</u>

Total tax reconciliation

	Year ended 31 August 2023 £000	Year ended 31 August 2022 £000
Profit on ordinary activities before tax	95,010	85,683
	<hr/>	<hr/>
Nominal tax charge at UK corporation tax rate of 21.5% (2022: 19.0%)	20,441	16,280
<i>Effects of:</i>		
Effect of change in tax rate	711	324
Expenses not deductible	(6,459)	5,895
Adjustments to tax charge in respect of previous years	3,362	3,142
	<hr/>	<hr/>
Total tax charge	<u>18,055</u>	<u>25,641</u>

Notes (continued)

7 Taxation (continued)

	Year ended 31 August 2023 £000	Year ended 31 August 2022 £000
Deferred tax liability	(9,432)	(255)
<i>Made up of:</i>		
Accelerated capital allowances	(2,455)	(1,267)
IFRS 16 transitional adjustment	53	53
Hedging reserve	(327)	179
Operating intangibles	(6,585)	-
Non Operating intangibles	(118)	779
Other short term timing differences	-	1
Movement in deferred tax liability		
Brought forward	(255)	(1,017)
(Charge) / Credit to profit and loss account	(8,671)	(924)
(Charge) / Credit to reserves	(506)	202
Recognised on asset acquisition	-	1,484
Carried forward	<u>(9,432)</u>	<u>(255)</u>

Factors affecting future tax charges

The UK corporation tax rate of 19% increased 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)

8 Intangible assets

	Computer Software £000	Intellectual property and trademarks £000	Total £000
<i>Cost</i>			
At beginning of period	31,274	14,884	46,158
Additions	14,774	-	14,774
	<hr/>	<hr/>	<hr/>
At end of period	<u>46,048</u>	<u>14,884</u>	<u>60,932</u>
<i>Accumulated amortisation</i>			
At beginning of period	16,212	-	16,212
Charge in the period	478	-	478
	<hr/>	<hr/>	<hr/>
At end of period	<u>16,690</u>	<u>-</u>	<u>16,690</u>
<i>Net book value</i>			
At 31 August 2023	<u>29,358</u>	<u>14,884</u>	<u>44,242</u>
At 31 August 2022	<u>15,062</u>	<u>14,884</u>	<u>29,946</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 £29,358,000 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 £14,774,000 to upgrade our systems and processes which will lead to benefits in future years. The total amount of spend on the transformation project which was capitalised at the balance sheet date was £27,543,000 and as the project remains in progress amortisation has not yet commenced.

Notes (continued)

9 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	31,281	9,616	519	1,799	47,723
Additions	-	2,116	1,137	106	2,598	5,957
Disposals	-	(3,044)	(176)	(170)	-	(3,390)
Transfers	-	1,652	-	-	(1,652)	-
At end of period	4,508	32,005	10,577	455	2,745	50,290
<i>Depreciation</i>						
At beginning of period	2,727	14,861	4,765	287	-	22,640
Charge for period	76	2,917	789	82	-	3,864
Disposals	-	(2,350)	(159)	(142)	-	(2,651)
At end of period	2,803	15,428	5,395	227	-	23,853
<i>Net book value</i>						
At 31 August 2023	1,705	16,577	5,182	228	2,745	26,437
At 31 August 2022	1,781	16,420	4,851	232	1,799	25,083

Analysis of land and buildings at net book value:

	Year ended 31 August 2023 £000	Year ended 31 August 2022 £000
Freehold	18	18
Leasehold	1,687	1,763
	1,705	1,781

Notes *(continued)*

10 Right-of-use assets

	Land and buildings £000	Plant and machinery £000	Total £000
<i>Cost or valuation</i>			
At 1 September 2021	2,292	315	2,607
Additions	325	76	401
	<hr/>	<hr/>	<hr/>
At 31 August 2022	2,617	391	3,008
	<hr/>	<hr/>	<hr/>
Additions	-	193	193
	<hr/>	<hr/>	<hr/>
At 31 August 2023	2,617	584	3,201
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 September 2021	235	203	438
Charge for period	117	91	208
	<hr/>	<hr/>	<hr/>
At 31 August 2022	352	294	646
	<hr/>	<hr/>	<hr/>
Charge for period	184	124	308
	<hr/>	<hr/>	<hr/>
At 31 August 2023	536	418	954
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 August 2023	<u>2,081</u>	<u>166</u>	<u>2,247</u>
	<hr/>	<hr/>	<hr/>
At 31 August 2022	<u>2,265</u>	<u>97</u>	<u>2,362</u>
	<hr/>	<hr/>	<hr/>

11 Commitments

The Company had capital expenditure commitments at 31 August 2023 of £4,473,000 (2022: £2,206,000).

Notes (continued)

12 Stocks

	Year ended 31 August 2023 £000	Year ended 31 August 2022 £000
Raw materials and consumables	5,462	4,486
Work in progress	220	214
Finished goods and goods for resale	8,530	9,851
	<u>14,212</u>	<u>14,551</u>

13 Debtors

	Year ended 31 August 2023 £000	Year ended 31 August 2022 £000
<i>Amounts falling due within one year</i>		
Trade debtors	29,135	26,948
Amounts owed by fellow subsidiaries	47,317	33,410
Amounts owed by parent company	410,099	358,322
Other debtors	2,985	4,247
Financial instruments	1,892	953
Prepayments and accrued income	1,617	2,030
	<u>493,045</u>	<u>425,910</u>

Financial instruments relate to forward currency derivative contracts.

Notes (continued)

14 Creditors

	Year ended 31 August 2023	Year ended 31 August 2022
<i>Amounts falling due within one year</i>	£000	£000
Trade creditors	7,892	8,283
Amounts owed to fellow subsidiaries	5,423	4,691
Other creditors	2,720	1,645
Taxes and social security	218	203
Financial instruments	223	1,900
Accruals and deferred income	14,197	12,387
Corporation tax creditor	7,526	15,824
	<u>38,199</u>	<u>44,933</u>

Financial instruments relate to forward currency derivative contracts.

15 Lease liabilities

	Total £000
At 1 September 2021	2,594
Interest charged	18
New leases in the period	386
Lease payments	442
	<u>2,556</u>
At 31 August 2022	2,556
Interest charged	18
New leases in the period	193
Lease payments	(318)
	<u>2,449</u>
At 31 August 2023	<u>2,449</u>

Lease liabilities include £295,000 due within one year (2022: £260,000) and £2,154,000 due after one year (2022: £2,296,000).

16 Called up share capital

	31 August 2023		31 August 2022	
	Number	£000	Number	£000
<i>Issued and fully paid</i>				
Ordinary shares of £1 each	3,295,151	3,295	3,295,151	3,295
	<u>3,295,151</u>	<u>3,295</u>	<u>3,295,151</u>	<u>3,295</u>

Notes (continued)

17 Reserves

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 2,907 shares (2022: 53,298) were issued to employees under the LTIP. The weighted average share price at the date of grant was £25.07 (2022: £24.84). The Company recognised a total equity-settled share-based payment credit of £603,000 (2022: £186,000 expense), with a corresponding entry in reserves. There are 253,991 shares outstanding at the balance sheet date (2022: 207,646 shares).

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.

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.

Share-based payment reserve

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

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

18 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 16 September 2023 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 £1,377m (2022: surplus £1,344m).

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

The combined contribution to the defined benefit and defined contribution sections of the Associated British Foods Pension Scheme for the year was £2,507,000 (2022: £2,183,000). The most recent triennial valuation of the UK scheme was undertaken at 5 April 2023 which determined a surplus of £1,013m. The next triennial valuation is due at 5 April 2026.

Notes (continued)

19 Contingent liabilities

The Company has issued guarantees amounting to £100,000 (2022: £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.

20 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.

21 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.