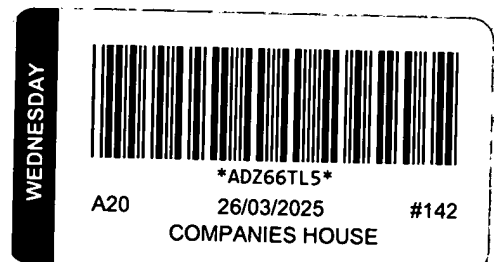


Registration number: 02240234

A.B. Produce PLC

Annual Report and Financial Statements
for the Year Ended 31 May 2024

Ballards LLP
Chartered Accountants
Oakmoore Court
11c Kingswood Road
Hampton Lovett
Droitwich
Worcestershire
WR9 0QH



A.B. Produce PLC
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A.B. Produce PLC
Company Information

Directors P J Bridgen
P J Ellis
D W Tomkinson
N A Sharratt

Company secretary SGH Company Secretaries Limited

Registered office 6th Floor
60 Gracechurch Street
London
EC3V 0HR

Auditors Ballards LLP
Chartered Accountants
Oakmoore Court
11c Kingswood Road
Hampton Lovett
Droitwich
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A.B. Produce PLC
Strategic Report for the Year Ended 31 May 2024

The directors present their strategic report for the year ended 31 May 2024. This strategic report has been prepared in accordance with the requirements of the Companies Act 2006. It is intended to provide shareholders with a fair and balanced assessment of the company's strategic management, business environment and operating performance. Although the report relates to the year ended 31 May 2024, it is written with full knowledge and expression of all relevant events and developments which have happened since then. The strategic report should be read in conjunction with the Directors' Report and audited financial statements of A.B. Produce PLC for the year ended 31 May 2024.

Principal activities, services and operations

A.B. Produce PLC ("the company") is a business with its core strategy founded on long-term investment plans which add sustainable and mutual value to shareholders and external stakeholders. The principal activity remains the processing and distribution of fresh produce, specialising in potatoes and other prepared vegetables. Washed and packed potatoes are supplied to the retail sector supplemented by an extensive prepared vegetable range which is distributed through a balanced portfolio of food-service and food manufacturing operators. The company is also engaged in third party haulage of fresh produce into wholesale markets and other outlets, utilising our in-house fleet to maximise distribution efficiency and minimise the environmental impact of food transportation.

The principles underpinning these activities are: developing and maintaining sustainable long term partnerships with our customers and suppliers; achieving excellence in food safety, health and safety and staff welfare; and minimising our carbon footprint through whole-crop utilisation, reduced packaging usage and minimising food miles as far as possible, through the use of locally-grown crops and efficient distribution practices. In addition, we are committed to the use of green energy at our production facility in Measham and all the organic by-products from the processing facility are utilised in the production of renewable energy providing a sustainable electricity supply for the whole site and biofertiliser for agricultural benefit.

Review of the business

Whilst retail volumes have been relatively stable, the underlying volumes in the hospitality sector have still not fully recovered post Covid and the sector continues to face severe challenges due to changes in social behaviour with regard to eating occasions outside of the domestic environment. Ongoing inflationary pressure continued to drive escalation in the primary overhead costs re labour, packaging and fuel inputs which squeezed operating margins further.

The principal cost of the business is raw materials and the increases in farming costs were further exacerbated by another challenging growing season. With the pandemic having dampened down demand for the short 2021 crop, and the reduced planted area for 2022, the light at the end of the tunnel was in fact a train coming the other way! The 2023 planted area was down, the crop yield low with serious concerns about quality and further processing yields. These dynamics created the worst potato supply position since 1976. Previously short crop years were bolstered by seasonal carryover and/or imports which have both been in short supply. The dire state of the food supply chain was evident with estimates indicating that UK potato production had fallen by 20% and food inflation had reached a 40 year high at 19% in March 2023.

A.B. Produce PLC
Strategic Report for the Year Ended 31 May 2024

Given that the financial year spans the normal potato crop season, the first quarter's trading results for the financial year under review were derived from the 2022 potato crop resulting in heavy trading losses as that season came to an end. It was clear that the position was unsustainable with the 2023 crop production forecasts not supporting supply agreements based on a "normal" season and agreed prior to the seasonal out-turn. Sensible discussions with our key trading partners saw amendments to contract prices to maintain physical supply and agreed strategies balancing contracted supply with imports and free-buy sourcing. This alleviated the financial pressure through Autumn 2023. However, the issues with the physical supply and financial squeeze continued to manifest themselves and low processing yields put increased pressure on the already limited stock availability. Following progressive margin destruction in the first quarter of 2024, open dialogue with our strategic partners led to further flexing of prices to see out the 2023 crop season in a more positive and sustainable position.

The company is immensely grateful to its partners within the supply chain for their open and collaborative approach in the circumstances of successive challenging crop seasons. Whilst operating losses are reported at £955,285 for the year ended 31 May 2024, underlying volumes had improved and we believe we are in a better position moving forward to sustain financial performance in the face of economic and/or climatic uncertainty. The severity of the supply chain concerns, underlined by the demise of a key competitor in June 2024, has served to bring all operators in the industry including growers, packers, processors and the various distribution channels closer together and highlighted the need for strategic alignment to secure sustainable UK food supply in the future. This is demonstrated by our post year end trading margins which have underpinned our financial stability and consideration of targeted investment opportunities to further drive process improvement in order to maintain our broad product offer and high levels of customer service.

Principal risks and uncertainties (including those in relation to financial instruments)

The usual risks attaching to the business, relating to competition, food safety, health and safety, employees, raw material supply and customer sourcing policy, remain consistent and are considered in more detail later in this report.

The fresh produce sector is a highly competitive market with an excess of suppliers (albeit continuing to diminish in number) in the retail, food-service and manufacturing sectors who are constantly seeking to maintain market share leading to significant pressure on pricing through the supply chain. These dynamics continue to develop as the industry recognises the fragility within the food supply chain but the company's focus on cohesive strategies to mitigate these threats by maintaining excellent levels of service will secure our position in the market where trust is paramount. The company will continue to consolidate our relationships with key partners whilst exploring new opportunities to satisfy demand. In addition, we continue to develop aligned strategies with our core suppliers and grower groups to ensure security of raw material supply, price mitigation and to reduce the threat from regional crop failures. We continue to foster the ethos of value and sustainability through the supply chain to eradicate unnecessary cost and waste in line with our environmental principles and driven now more broadly by the cost-of-living crisis and need to bolster UK food production and self-sufficiency.

This sourcing policy feeds into our in-house food safety systems and allows full traceability and control of raw materials prior to manufacturing under strict food safety protocols. We successfully achieved Grade A* at the latest BRC unannounced audit in April 2024 under new Issue 9 of the Global Standard for Food Safety.

A.B. Produce PLC
Strategic Report for the Year Ended 31 May 2024

The company continues to develop a capable and broad senior management team consisting of multi-skilled and experienced members which helps mitigate against the potential impact from the loss of key personnel. The management structure remains under review to ensure it remains well-balanced and strategically focused with succession planning as a core pillar. We remain committed to driving forward initiatives regarding staff wellbeing and creating a safe operational environment for employees, contractors and visitors, working with relevant authorities and retained consultants where appropriate.

We continue to foster excellent working relationships with key stakeholders including our banking and risk management partners as well as other statutory bodies. The company hedges commercial risk through credit insurance and by contracting a proportion of its raw material potato requirement at fixed prices. The company's flexible banking arrangements are designed to mitigate against any short-term liquidity and cash flow risk but with virtually all transactions conducted in pound sterling, we have very little exposure to international currency fluctuations.

Key performance indicators

Results for the year continued to be influenced by two main drivers. Principally, the raw material sourcing issues created by the third successive growing season dogged with physical challenges and secondly the adverse impact of the UK economic environment and ongoing escalation in operating costs for the primary inputs where the resultant margin squeeze was irrecoverable in the short term. Strategic changes within the business in conjunction with our core partners in the supply chain will hedge this position in the future.

Despite the exceptional challenges faced during the year, it is testament again to the commitment of the operational team in Measham that their focus remained on customer order fulfilment and maintaining customer satisfaction levels. New business opportunities continue to be met with enthusiasm to drive sustainable growth but tempered with a strong focus on sustainability of supply.

It is disappointing that exceptional global and economic factors continue to conspire against the sector with no discernible support from Government to secure the ongoing operation of the UK farming sector and the provision of a robust national mechanism to fulfil the domestic demand for food. Given the increase in protectionist views amongst our global trading partners including the USA, France and Germany and the ongoing conflicts in eastern Europe and the middle east, the compelling need to focus on UK food sustainability will be of paramount importance.

The company continued to benefit from the support of Lloyds Bank to bridge the short-term working capital position through an agreed overdraft facility. The company reviewed its investment plans in line with its strategic intent and the changing requirements of the market in which it operates, be they manufacturing, technical, compliance or product led.

The company continued to provide for dilapidation and decommissioning costs under the policy introduced in the accounts for the year ended 31 May 2014. A review was undertaken by professional agents of the main elements within the provision relative to the terms of the lease on Enterprise House. As a result, the directors felt it fair and prudent to release £962,000 of the provision carried in the year to 31 May 2022. The carrying value of the provision will be monitored annually based on the terms of the lease and no change was deemed necessary in the financial year under review.

A.B. Produce PLC
Strategic Report for the Year Ended 31 May 2024

Post balance sheet events

External economic factors

Virtually all our trade is within the UK and therefore the business is essentially insulated to a large degree from fluctuations in the currency markets. However, the availability of labour and increasing wage rates prompted by the trend in the National Living Wage and recent changes to the National Insurance costs for employers; continue to add pressure on operational performance and trading margins. Subsequently, the war in Ukraine and cost of living crisis have presented additional margin pressure and business challenges shared across the supply chain. The company has tremendous empathy for the financial pressures now faced by our staff and supply chain partners and will continue to work with all parties to mitigate the ongoing impact and deliver efficiencies wherever possible.

Following the significant changes within Government, political events in the United States and ongoing troubles in the Ukraine and the Middle East, the medium-term UK economic situation is uncertain and movements in inflation and interest rates will undoubtedly create further angst in the supply chain regarding the ever-increasing costs of production. Erratic weather patterns and unsustainable returns continue to put pressure on the physical supply of raw materials as many farmers decide to turn their attention away from problematic arable farming sectors to more lucrative and less stressful land use. Recent changes to the Inheritance Tax rules have only exacerbated this situation.

Shareholder dispute

As reported previously, an estranged shareholder commenced Petitions under s994 of the Companies Act 2006 against his fellow shareholders in December 2018 involving three legal entities, which proceedings were defended throughout.

Following two trials in the High Court it was determined in March 2022 that the Petitions relative to two related companies and all Petitions against two shareholders had failed completely. The Claimant subsequently applied to HHJ Rawlings requesting leave to appeal and was denied. The Claimant then applied to the Court of Appeal and was again refused permission to appeal by Rt.Hon. Lady Justice Asplin on 22 October 2022.

At a hearing in the High Court in September 2023, HHJ Rawlings determined that there had been instances where the remaining Respondent had obtained benefit from the company which was prejudicial to the Petitioner and other shareholders. Following a hearing in January 2024 an Order was made which specified, amongst other things, the sale of shares between the existing shareholders of holdings in A.B. Produce Trading Limited, the parent company of A.B. Produce PLC. The Order prescribed that the share transfer would take place on 8 March 2024.

However, the Petitioner in this matter failed to comply with all aspects of the Order. Whilst the trial in the High Court has been concluded, given the lack of compliance by the Petitioner to all matters prescribed within the Order, the dispute remains technically still live pending further action in the civil courts by one or more of the shareholders. Whilst the directors find this situation deeply frustrating, they would reiterate that this matter relates to a potential change of ownership and does not in itself represent any change in the management or operation of the business but fully accept this may be a consequence of the change of ownership in due course. The directors continue to focus on the positive development of the company for the benefit all shareholders and other stakeholders.

A.B. Produce PLC
Strategic Report for the Year Ended 31 May 2024

The directors continue to utilise the services of an independent professional company secretary to oversee and advise on matters of corporate governance and statutory compliance to ensure robust procedures and policies are adopted.

Other matters

Further to the claims by the company against our water service provider relative to inappropriate changes to the charging policy for water usage and disposal, partial settlement was made in January 2024. Whilst sums of £60,000 were recovered for the period since April 2023, this represents a fraction of the relevant period of overcharging and we believe substantial sums remain outstanding. However, despite repeated representations to our water services provider and the fact that they have already accepted the principle of our claim, no further settlement has been forthcoming. Consequently, the company sees little alternative other than to engage with third parties in this regard. No amounts related to these recoveries have been accrued in the accounts pending receipt of funds and/or the satisfactory resolution of this matter.

In June 2023, a claim by a local landowner was settled in full without cost to the company but on the agreement that the company removes a quantity of soil from the relevant land adjacent to its Measham site by 31 July 2024. Subsequent to this, in July 2024 the landowner approached the company regarding the transfer of certain unutilised rights over their land in exchange for the land where the soil resides. Agreement has been reached in principal and solicitors have been duly instructed. No provision had previously been made in the accounts for the removal of the soil given the relatively low cost involved and therefore the accounts remain unaffected by this matter.

Going concern

The directors remain of the firm opinion that, being in the key sector of UK food provision and having weathered the various storms outlined above, the business is in good shape to continue developing its business and fulfil its expansion plans on the back of exciting investment plans. Food-service volumes continue, albeit steadily, to recover ground as operators look to new markets and innovation to grow distribution. Whilst uncertainty remains in the UK economic outlook as the new administration finds its feet after the election, we are comforted by the dialogue around UK food sustainability and more generally the focus on growth and easing of domestic interest rates will support our investment plans and the cost-of-living crisis affects all aspects of domestic life, consumer confidence continues to be cautious about the changing political dynamics and what it means for them. Our retail volume has increased organically through the sustained expansion plans of our primary customers and we continue to discuss various supply opportunities and further developments to the product offering to promote growth. The company continues to adopt a balanced trading portfolio to insulate the business from any future unforeseen market changes and challenges.

Forecasting in the fresh produce industry can be notoriously challenging, especially when trying to factor in the impact of changing weather patterns. The spiralling costs of production and inability to pass these through the supply chain have caused many landowners and farmers to consider whether growing potatoes is a viable use of their resources. We continue to forge closer links between our procurement strategy and supply agreements through open and informed dialogue with our trading partners providing reassurance to all parties that whatever the prevailing crop circumstances, we will be able to maintain an ongoing and viable trading position and fulfill key supply commitments.

A.B. Produce PLC
Strategic Report for the Year Ended 31 May 2024

The company continued to benefit from the support of Lloyds Bank to bridge the short-term working capital position through an enhanced overdraft facility. Following the realignment of prices relative to the season, the immediate working capital funding requirement has diminished with the expiring facility currently unutilised. However, it was felt prudent to retain a reduced overdraft facility of £500,000 which has been extended out to February 2026. In the new calendar year, it may be appropriate to convert the overdraft to term debt based on the investment profile of factory projects but these decisions will be underpinned by reference to positive cashflow forecasts. The company benefits from a related party loan of £500,000 and this facility remains fully utilised although the directors are now considering settling this balance. Other funding options remain available including; asset financing and invoice discounting if the need for additional funding arose.

The lease on Enterprise House expired in May 2022 but A.B. Produce PLC agreed with Bridgen Investments Limited to roll the lease on similar terms pending the conclusion of the shareholder dispute and possible corporate restructuring when new terms would be agreed. As set out above in this report, whilst the final Order was made in February 2024 matters of any ownership changes remain extant. The directors are seeking legal advice on the appropriateness of crystallising the ongoing lease position at this time. Any obligations under the existing and/or new lease with regard to dilapidations will be incorporated in those discussions but these are not anticipated to be onerous or indeed invoked at all, subject to the ultimate renewal of the lease on Enterprise House.

The directors recognise that the Statement of Financial Position includes net assets and liabilities owed by or due to certain related parties which are significant. The directors believe that the net receivables amounts are fully recoverable based on the assets held by the related party and further that any net liabilities will not be subject to claim in the short-term based on the strategic synergy and mirrored ownership structure of the entities.

The combined impact of the successive adverse crop seasons, the global pandemic and the onerous obligations of the s994 litigation on the company undoubtedly took their toll on the reserves of the company. However, it is testament to the resilience of the business, the dedication of the workforce and the loyalty of our key stakeholders that the business has come through what has unquestionably been the most challenging period in the company's history. The business has remained focused on working with its suppliers, customers and funders to keep the fresh produce supply chain open whilst maintaining quality and service standards throughout. Through the strength of our customer offer, the related party synergies and the improved trading performance, A.B. Produce PLC continues to represent a credible, reliable and sustainable partner within the industry. Given the focus on the broader strategic and medium term financial position of the company, the directors are of the view that previous uncertainty regarding financial resilience has been addressed and remain confident that the business remains a going concern and a wholly sustainable proposition.

A.B. Produce PLC
Strategic Report for the Year Ended 31 May 2024

Health and safety and employee welfare

At A.B. Produce PLC, we believe our staff to be our greatest asset and we value the continuity of key employees and their length of service with the company balanced with the need to seek individuals who bring a different perspective and skill set to the organisation. As such, our policies aim to maintain a safe, healthy and productive workforce, properly remunerated and motivated and without discrimination of any type. We have an active staff forum with representatives from all tiers of the workforce, in which the views and concerns of all staff can be aired, and evolving company policies and protocols can be shared. We have a comprehensive Health and Safety policy and treat the wellbeing of staff very seriously and continue to focus on providing a safe working environment. The company workforce includes many diverse ethnic groups and we endeavour to accommodate their respective needs and promote a harmonious working environment. Our wage and benefits structures are reviewed at least annually, and rates exceed national living wage legislation. The company has taken on several apprentices over the last five years and is benefitting now from this apprenticeship scheme. In addition, we continue to make training available to promote career development.

Environment and social responsibility

The board recognises its responsibility to protect the environment and is mindful of the wider sociological impact of business. Our core business in supplying fresh vegetables is very much in line with the promotion of healthy lifestyles but it is, of course, incumbent upon us to do so with the minimum environmental or sociological impact. As such, we take all possible steps to encourage responsible agricultural practices, adopt efficient manufacturing processes, minimise waste and maximise by-product utilisation and recycling. We aim to minimise food miles through local supply initiatives and, utilising our in-house fleet, we maximise transport efficiency and fuel economy. The company also works with customers and packaging suppliers to minimise the amount of packaging we use, especially polythene, as far as possible. The production facility at Measham is powered utilising renewable energy generated from processing by-products and we continue to explore practical ways to minimise/reduce emissions from the site.

Future developments

The company operates dynamically at the heart of the UK food industry satisfying a fundamental societal need. The company will continue to be innovative and creative in its investment plans to consolidate its position and secure expansion where appropriate, whilst continuing to maintain excellent relationships with our trading partners based on integrity and mutual benefit. Whilst the UK and overseas economic situation continues to unravel, the board feels that the company's position in fresh produce, with the right balance of diversity in its trading portfolio, is secure and represents a successful long-term proposition for its stakeholders.

The primary factors and real cost of arable farming and food manufacturing are now probably more visible to customers and consumers than ever. Sustainable food production and a healthy domestic agricultural sector is of paramount national importance and we will strive to be involved in ongoing improvements in the industry.

A.B. Produce PLC
Strategic Report for the Year Ended 31 May 2024

Statement by the directors in performance of their statutory duties in accordance with S172(1) Companies Act

The board of directors consider that they have acted in a way they consider would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172 (1) (a-f) of the act) in the decisions taken during the year ended 31 May 2024 and in the approval of the business plan for 2025 and beyond.

As the board of directors, our intention is to behave responsibly and ensure that management operate the business in a sustainable manner, operating within high standards of corporate governance, business conduct and regulatory compliance. The directors' intention is to behave with due regard for our stakeholders and treat them fairly and equally, so they may ultimately benefit from the successful delivery of our plans.

The paragraphs below set out how the board have fulfilled and continue to fulfil their duties based on a sustainable approach with regard to the following matters:

Decision making and risk management

The group operates within the UK food supply chain which spans a broad spectrum of challenges from the immediacy of daily fresh food supply through retail and food-service channels to the strategic development of UK agricultural policy. The directors are mindful of changes in food demand dynamics and continue to monitor and adapt their manufacturing capability and product offering accordingly.

The directors have adopted procurement strategies and policies that best meet the supply chain demands but hedge raw material challenges and pricing risks relative to seasonal weather patterns and annual crop outcomes. Risk management and flexibility in a broader context has become more critical given progressive changes including climate change and consumption trends overlaid with more unpredictable issues such as the UK economic situation, tensions in the Middle East and the ongoing war in Ukraine.

Our people

The company is committed to being a responsible employer who endeavours to provide a safe and rewarding working environment for our colleagues. The existing workforce is highly valued and recruitment remains incredibly difficult which underlines the need to foster good relationships with the workforce to support staff retention and development in-house. The company continues to develop a culture that creates personal development opportunities based on a clear structure and competitive remuneration levels supported by individual training and development support.

The company seeks to engage openly with its employees and adopts robust policies which support cultural diversity, welfare and safety. The company takes its responsibilities to its employees very seriously and provides support and guidance, in so far as it can, to assist individuals' welfare and general wellbeing both inside and outside the workplace.

The directors engage the services of independent professionals to ensure both human resource and health and safety policies meet dynamic legislation and to protect the interests of the employees and the company.

A.B. Produce PLC
Strategic Report for the Year Ended 31 May 2024

Business relationships with suppliers, customers and others

The company is proud of the relationships developed with its external stakeholders based on trust and mutual benefit. This is evident during the ongoing challenges relative to climate change and global restrictions on fresh produce supply where joint initiatives and focus on order fulfilment to maintain food supply in unparalleled circumstances continues to be achieved. Suppliers and customers in the increasingly volatile food supply chain work together to promote UK food production and distribution. All operators in the food industry must take responsibility for bridging the gap between consumer expectation and agricultural reality. The directors continue to engage with supply chain partners to achieve this goal and help support the development of a sustainable UK agricultural and food supply strategy.

The fresh food supply chain relies on dynamic manufacturing processes producing variable volumes of quality products and an assured distribution network that delivers these to the consumer on a daily basis. Customer confidence is key and the directors believe that organic growth is the optimum indication of success and the most sustainable strategy in this sector. The company maintains its accreditation with key industry bodies including the British Retail Consortium and the Red Tractor Assurance Scheme to provide further customer assurance.

Impact on the community and the environment

The company is proud to employ a loyal workforce that is both culturally diverse and primarily locally based. The focus is to create maximum employment opportunity within the local community which in turn reduces the associated environmental impact of travelling between work and home. The company continues to support local initiatives wherever possible.

Being involved in the arable farming sector, the company engages with farmers and is mindful of the changes in agricultural policies affecting crop cultivation. Raw material is sourced locally where practical and any processing waste is now utilised locally in green energy generation via an anaerobic digestion process. The production facility is now principally powered using renewable energy generated onsite with the resultant digestate used as a bio fertiliser for soil improvement.

The company adopts a responsible attitude to packaging based on the policy to "remove, reduce and recycle" whenever possible. We continue to work with customers and manufacturers to ensure this is adopted in our product offering and distribution methods. We have a full recycling program for wood, plastic and cardboard.

Maintaining a reputation for high standards of business conduct

The company is a family-owned business and the principles of reputation and integrity remain core pillars of the operation. Standards are maintained through robust operating policies and through our accreditation with industry leading organisations involving regular audits. The company is also subject to various external audits by other organisations including primary customers, to ensure we continue to meet their rigorous standards of conduct.

Defined procedures are in place relative to our interaction with third parties whether supplier set up, customer onboarding or regulatory compliance to ensure we maintain full integrity in these processes. The company has engaged the services of an independent Company Secretary and part of their role is to review and update as necessary, internal policies in relation to matters of corporate governance and related party transactions.

A.B. Produce PLC
Strategic Report for the Year Ended 31 May 2024

The company has robust and independently reviewed HR policies regarding conduct in the workplace including whistleblowing, equality and bullying, further supported by statements to promote awareness of the modern slavery act and human trafficking. The directors are committed to supporting regulatory authorities eradicating inhumane and illegal activities and support management's liaison with such bodies to ensure this happens. The company has engaged the services of an independent HR consultant to ensure best practice is adopted and compliance assured.

To the same end, the company engages the services of a health and safety specialist to ensure procedures remain robust and minimise operating risk in the business and that regulatory changes are recognised and adopted as appropriate.

Acting fairly between stakeholders of the company

The directors fully understand and are committed to the principle of open and fair dealings with the company's stakeholders and the members of the company. Stakeholders are kept fully apprised of business activities and trading position through regular updates and meetings. The directors will continue to act in the best interests of the company and for the benefit of all stakeholders.

Statement by the directors in performance of their statutory duties in accordance with S172(1) Companies Act

To provide further assurance to shareholders and other stakeholders that the directors maintain a fair and equitable approach to managing the business, an independent Company Secretary is engaged with a clear focus on reviewing core corporate governance policies and procedures to ensure best practice is adopted to deliver robust compliance by the company and its directors. Extensive policies are formalised and adopted with specific regard to related party transactions and conflicts of interest which are integral to the operation of the board.

The directors continue to develop strategic plans for the company within the dynamic fresh food sector which will create sustainable growth and long-term security for members, employees and other stakeholders.

Approved and authorised by the Board on 24/3/25 and signed on its behalf by:



.....
N A Sharratt
Director

A.B. Produce PLC
Directors' Report for the Year Ended 31 May 2024

The directors present their report and the financial statements for the year ended 31 May 2024.

Principle activities

The principle activity of the company continued to be that of processing and distribution of fresh produce, specialising in potatoes and other prepared vegetables.

Results and dividends

The results for the year are set out on page 19.

The company's loss after tax for the period was £788,919 (2023: £446,581). The directors recognise this represents another difficult set of results but consider it wholly reflective of the seasonal crop dynamics and the significant impact of the UK economic environment. Given the ongoing challenges within the industry and the broader UK economy it is imperative that the company maintains its operational and financial resilience. In these circumstances, the directors felt it would be imprudent to declare a dividend, and none was recommended (2023: £nil).

Directors of the company

The directors who held office during the year were as follows:

P J Bridgen

P J Ellis

D W Tomkinson

N A Sharratt

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Reappointment of auditors

The auditors Ballards LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 24/3/25 and signed on its behalf by:



.....
N A Sharratt
Director

A.B. Produce PLC
Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors 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 of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting 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.

A.B. Produce PLC
Independent Auditor's Report to the Members of A.B. Produce PLC

Opinion

We were engaged to audit the financial statements of A.B. Produce PLC (the 'company') for the year ended 31 May 2024, which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, and Notes to the Financial Statements, 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 Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for disclaimer of opinion on financial statements

As a result of the shareholder dispute mentioned in note 25, the proposed, but not executed, change in ownership of the company and the impact upon the relationship that this company has with certain related parties, we were unable to obtain sufficient audit evidence regarding various transactions and balances with those related parties. The transactions affected by this are the completeness and valuation of amounts due from related parties. Therefore we are unable to conclude that the statement of comprehensive income for the year ended 31 May 2024, and the statement of financial position as at 31 May 2024, the statement of changes in equity and the notes to the financial statements are free of material misstatement.

The possible effects of any undetected misstatements, if any, could be both material and pervasive to the financial statements.

Furthermore, In the prior year the audit evidence available to the previous auditors was limited for similar reasons as stated above and they were unable to obtain sufficient audit evidence regarding various transactions and balances with those related parties. The transactions affected by this were the valuation of provisions, the completeness and valuation of amounts due from related parties and the valuation of deferred tax assets. The High Court Order prescribed that the share transfer should take place on 8 March 2024, which has not since happened. The audit report for the year end dated 31 May 2023 was dated 15 February 2024. Therefore the previous auditors were unable to conclude that the statement of comprehensive income for the year ended 31 May 2023, and the statement of financial position as at 31 May 2023, the statement of changes in equity and the notes to the financial statements were free of material misstatement.

Disclaimer on view given by the financial statements

Because of the possible effect to the financial statements of the above we are unable to form an opinion as to whether the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 May 2024 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

A.B. Produce PLC
Independent Auditor's Report to the Members of A.B. Produce PLC

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 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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

Notwithstanding our disclaimer of an opinion on the view given by the financial statements, in our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and 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 our 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 and the Directors' Report.

We have nothing to report in respect of the following matters where 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 Statement of Directors' Responsibilities [set out on page 13], the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

A.B. Produce PLC
Independent Auditor's Report to the Members of A.B. Produce PLC

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 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.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

A.B. Produce PLC
Independent Auditor's Report to the Members of A.B. Produce PLC

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit. However, because of the matters described in the Basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance legislation. We planned audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with tax authorities and evaluating advice received from tax advisors.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to health and safety and food safety. We planned audit procedures to inquire of management and those charged with governance whether the company is in compliance with these law and regulations and inspected correspondence with licensing or regulatory authorities.


The audit engagement team identified the risk of management override of controls, completeness of revenue and related party transactions as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures planned included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, carrying out procedures to identify whether revenue was complete, and carrying out procedures to identify undisclosed related party transactions.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

A.B. Produce PLC
Independent Auditor's Report to the Members of A.B. Produce PLC

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.



.....
Andy Bewick (Senior Statutory Auditor)
For and on behalf of Ballards LLP, Statutory Auditor
Chartered Accountants

Oakmoore Court
11c Kingswood Road
Hampton Lovett
Droitwich
Worcestershire
WR9 0QH

Date: 24 March 2025

A.B. Produce PLC
Profit and Loss Account for the Year Ended 31 May 2024

	Note	2024 £	2023 £
Turnover	3	31,464,644	23,909,091
Cost of sales		<u>(28,900,805)</u>	<u>(21,138,995)</u>
Gross profit		2,563,839	2,770,096
Administrative expenses		<u>(3,519,124)</u>	<u>(3,400,002)</u>
Operating loss	5	<u>(955,285)</u>	<u>(629,906)</u>
Other interest receivable and similar income	6	41,243	63,996
Interest payable and similar charges	7	<u>(106,298)</u>	<u>(13,996)</u>
		<u>(65,055)</u>	<u>50,000</u>
Loss before tax		(1,020,340)	(579,906)
Taxation	11	<u>231,421</u>	<u>133,325</u>
Loss for the financial year		<u><u>(788,919)</u></u>	<u><u>(446,581)</u></u>

The above results were derived from continuing operations.

The company has no recognised gains or losses for the year other than the results above.

A.B. Produce PLC
Statement of Comprehensive Income for the Year Ended 31 May 2024

	2024 £	2023 £
Loss for the year	<u>(788,919)</u>	<u>(446,581)</u>
Total comprehensive income for the year	<u><u>(788,919)</u></u>	<u><u>(446,581)</u></u>

A.B. Produce PLC
(Registration number: 02240234)
Balance Sheet as at 31 May 2024

	Note	2024 £	2023 £
Fixed assets			
Tangible assets	13	709,558	800,999
Current assets			
Stocks	14	882,219	434,001
Debtors falling due after one year		1,669,917	1,398,835
Debtors falling due within one year	15	14,378,050	12,060,159
Cash at bank and in hand		12,077	4,613
		<u>16,942,263</u>	<u>13,897,608</u>
Creditors: Amounts falling due within one year	16	<u>(14,114,925)</u>	<u>(10,316,001)</u>
Net current assets		<u>2,827,338</u>	<u>3,581,607</u>
Total assets less current liabilities		3,536,896	4,382,606
Provisions for liabilities	17	<u>(2,684,209)</u>	<u>(2,741,000)</u>
Net assets		<u>852,687</u>	<u>1,641,606</u>
Capital and reserves			
Called up share capital		83,352	83,352
Share premium reserve	20	268,000	268,000
Capital redemption reserve	20	22,648	22,648
Retained earnings	20	<u>478,687</u>	<u>1,267,606</u>
Shareholders' funds		<u>852,687</u>	<u>1,641,606</u>

Approved and authorised by the Board on 24/3/25 and signed on its behalf by:



 N A Sharratt
 Director

A.B. Produce PLC
Statement of Changes in Equity for the Year Ended 31 May 2024

	Share capital £	Share premium £	Capital redemption reserve £	Retained earnings £
At 1 June 2023	83,352	268,000	22,648	1,267,606
Loss for the year	-	-	-	(788,919)
At 31 May 2024	<u>83,352</u>	<u>268,000</u>	<u>22,648</u>	<u>478,687</u>
				Total £
At 1 June 2023				1,641,606
Loss for the year				(788,919)
At 31 May 2024				<u>852,687</u>
				Total £
At 1 June 2022	83,352	268,000	22,648	1,714,187
Loss for the year	-	-	-	(446,581)
At 31 May 2023	<u>83,352</u>	<u>268,000</u>	<u>22,648</u>	<u>1,267,606</u>
				Total £
At 1 June 2022				2,088,187
Loss for the year				(446,581)
At 31 May 2023				<u>1,641,606</u>

A.B. Produce PLC
Notes to the Financial Statements for the Year Ended 31 May 2024

1 General information

The company is a public company limited by share capital, incorporated in United Kingdom.

The address of its registered office is:

6th Floor
60 Gracechurch Street
London
EC3V 0HR
United Kingdom

The company's principle activities and nature of its operations are disclosed in the Directors' Report.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland and the Companies Act 2006'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

Departure from requirements of FRS 102

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the company. The company has therefore taken advantage of exemptions from the following disclosure requirements.

Summary of disclosure exemptions

- Section 4 'Statement of Financial Position' - Reconciliation of the opening and closing number of shares
- Section 7 'Statement of Cash Flows' - Presentation of a statement of cash flow and related notes and disclosures
- Section 11 'Basic Financial Instruments' - Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values
- Section 33 'Related Party Disclosures' - Compensation for key management personnel

A.B. Produce PLC

Notes to the Financial Statements for the Year Ended 31 May 2024

Name of parent of group

These financial statements are consolidated in the financial statements of A.B. Produce Trading Limited.

The financial statements of A.B. Produce Trading Limited may be obtained from its registered office, 6th Floor, 60 Gracechurch Street, London, EC3V 0HR.

Going concern

The directors remain of the firm opinion that, being in the key sector of UK food provision and having weathered the various storms in recent years, the business is in good shape to continue developing its business and fulfil its expansion plans on the back of exciting investment plans. Food-service volumes continue to recover ground as operators look to new markets and innovation to grow distribution. Whilst uncertainty remains in the UK economic outlook as the new administration finds its feet after the election, we are comforted by the dialogue around UK food sustainability and more generally the focus on growth and easing of domestic interest rates will support our investment plans. Our retail volume has increased organically through the sustained expansion plans of our primary customers and we continue to discuss various supply opportunities and further developments to the product offering to promote growth. The company continues to adopt a balanced trading portfolio to insulate the business from any future unforeseen market changes and challenges.

Forecasting in the fresh produce industry can be notoriously challenging, especially when trying to factor in the impact of changing weather patterns. The spiralling costs of production and inability to pass these through the supply chain have caused many landowners and farmers to consider whether growing potatoes is a viable use of their resources. We continue to forge closer links between our procurement strategy and supply agreements through open and informed dialogue with our trading partners providing reassurance to all parties that whatever the prevailing crop circumstances, we will be able to maintain an ongoing and viable trading position and fulfill key supply commitments.

The company continued to benefit from the support of Lloyds Bank to bridge the short-term working capital position through an enhanced overdraft facility. Following the realignment of prices relative to the season, the immediate working capital funding requirement has diminished with the expiring facility currently unutilised. However, it was felt prudent to retain a reduced overdraft facility of £500,000 which has been extended out to February 2026. In the new calendar year, it may be appropriate to convert the overdraft to term debt based on the investment profile of factory projects but these decisions will be underpinned by reference to positive cashflow forecasts. The company benefits from a related party loan of £500,000 used in conjunction with bank funding and this facility remains fully utilised although the directors are now considering settling this balance and in place in line with the bank's ongoing commitment as specified above. Other funding options remain available including; asset financing and invoice discounting if the need for additional funding arose based on a blue chip and insured debtor book or the provision of further funding from a related party.

The lease on Enterprise House expired in May 2022 but A.B. Produce PLC agreed with Bridgen Investments Limited to roll the lease on similar terms pending the conclusion of the shareholder dispute and possible corporate restructuring when new terms would be agreed. As set out above in this report, whilst the final Order was made in February 2024, matters of any ownership changes remain extant. The directors are seeking legal advice on the appropriateness of crystallising the ongoing lease position at this time. Any obligations under the existing and/or new lease with regard to dilapidations will be incorporated in those discussions but these are not anticipated to be onerous or indeed invoked at all, subject to the ultimate renewal of the lease on Enterprise House.

A.B. Produce PLC
Notes to the Financial Statements for the Year Ended 31 May 2024

The directors recognise that the Statement of Financial Position includes net assets and liabilities owed by or due to certain related parties which are significant. The directors believe that the net receivables amounts are fully recoverable based on the assets held by the related party and further that any net liabilities will not be subject to claim in the short-term based on the strategic synergy and mirrored ownership structure of the entities. This position is subject to any consequential matters arising from the change in ownership of the parent company should this happen.

The combined impact of the successive adverse crop seasons, the global pandemic and the onerous obligations of the s994 litigation on the company undoubtedly took their toll on the reserves of the company. However, it is testament to the resilience of the business, the dedication of the workforce and the loyalty of our key stakeholders that the business has come through what has unquestionably been the most challenging period in the company's history. The business has remained focused on working with its suppliers, customers and funders to keep the fresh produce supply chain open whilst maintaining quality and service standards throughout. Through the strength of our customer offer, the related party synergies and the improved trading performance, A.B. Produce PLC continues to represent a credible, reliable and sustainable partner within the industry. Given the focus on the broader strategic and medium term financial position of the company, the directors are of the view that previous uncertainty regarding financial resilience has been addressed and remain confident that, whilst a possible change in ownership dynamics creates some ongoing uncertainty, the business remains a going concern and a wholly sustainable proposition.

Judgements

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised where the revision only affects that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Provisions

The key area of estimation uncertainty and judgement relate to the dilapidation and decommissioning provision for the leasehold site at Measham. Following the detailed review undertaken by professional agents and amendments applied in the year ended 31 May 2022, the directors consider that the estimation of the dilapidation and decommissioning cost remain appropriate. The directors review the dilapidation provision on an annual basis. Details of the carrying value of the dilapidation and decommissioning provision are set out in note 17.

Taxation

Deferred tax assets and liabilities are determined based on temporary differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to be in effect in the years in which those temporary differences are expected to be recovered or settled. Details of the carrying value of deferred tax assets are set out in note 11.

Related party balances

The related party balances represent significant assets and liabilities within the balance sheet. The respective legal entities are under the ownership and control of common shareholders and the directors believe that no significant short-term cash flows will arise whilst this remains the case. Details of the carrying values of related party balances are set out in note 26.

A.B. Produce PLC
Notes to the Financial Statements for the Year Ended 31 May 2024

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts.

The company recognises revenue when:
The amount of revenue can be reliably measured;
it is probable that future economic benefits will flow to the entity;
and specific criteria have been met for each of the company's activities.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Plant and machinery	1 to 15 years straight line
Computers and office equipment	2 to 10 years straight line
Motor vehicles	3 to 10 years straight line
Decommissioning asset	Straight line basis over the remaining life of the lease

Assets under construction are not depreciated.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Intangible assets

Intangible assets are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

A.B. Produce PLC
Notes to the Financial Statements for the Year Ended 31 May 2024

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Software	5 years straight line

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the profit and loss account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

A.B. Produce PLC
Notes to the Financial Statements for the Year Ended 31 May 2024

Provisions

Provisions are recognised when the company has an obligation at the reporting date as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

A.B. Produce PLC
Notes to the Financial Statements for the Year Ended 31 May 2024

3 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

	2024	2023
	£	£
Sale of goods	<u>31,464,644</u>	<u>23,909,091</u>

4 Other gains and losses

The analysis of the company's other gains and losses for the year is as follows:

	2024	2023
	£	£
Gain on disposal of Tangible assets	<u>16,132</u>	<u>64,158</u>

5 Operating loss

Arrived at after charging/(crediting)

	2024	2023
	£	£
Depreciation expense	189,117	223,036
Operating lease expense - property	468,000	468,000
Profit on disposal of property, plant and equipment	<u>(16,132)</u>	<u>(64,158)</u>

6 Other interest receivable and similar income

	2024	2023
	£	£
Other finance income	<u>41,243</u>	<u>63,996</u>

7 Interest payable and similar expenses

	2024	2023
	£	£
Interest on bank overdrafts and borrowings	60,168	1,198
Interest expense on other finance liabilities	<u>46,130</u>	<u>12,798</u>
	<u>106,298</u>	<u>13,996</u>

A.B. Produce PLC
Notes to the Financial Statements for the Year Ended 31 May 2024

8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2024	2023
	£	£
Wages and salaries	4,352,293	4,214,873
Social security costs	436,470	437,571
Pension costs, defined contribution scheme	101,793	98,734
	<u>4,890,556</u>	<u>4,751,178</u>

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

	2024	2023
	No.	No.
Production	109	102
Administration and support	22	24
	<u>131</u>	<u>126</u>

9 Directors' remuneration

The directors' remuneration for the year was as follows:

	2024	2023
	£	£
Remuneration	402,677	389,154
Contributions paid to money purchase schemes	4,375	4,375
	<u>407,052</u>	<u>393,529</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2024	2023
	No.	No.
Accruing benefits under defined benefit pension scheme	<u>1</u>	<u>1</u>

In respect of the highest paid director:

	2024	2023
	£	£
Remuneration	<u>172,898</u>	<u>170,000</u>

A.B. Produce PLC
Notes to the Financial Statements for the Year Ended 31 May 2024

10 Auditors' remuneration

	2024 £	2023 £
Audit of the financial statements	<u>67,500</u>	<u>109,000</u>
Other fees to auditors		
Taxation compliance services	8,500	10,000
All other assurance services	<u>15,000</u>	<u>15,000</u>
	<u>23,500</u>	<u>25,000</u>

Included in the fees for audit services of £67,500 (2023: £109,000) shown above is £7,500 (2023: £10,000) paid by the company in respect of its Parent A.B. Produce Trading Limited.

11 Taxation

Tax charged/(credited) in the profit and loss account

	2024 £	2023 £
Current taxation		
UK corporation tax adjustment to prior periods	(10,448)	-
Deferred taxation		
Arising from origination and reversal of timing differences	<u>(220,973)</u>	<u>(133,325)</u>
Tax receipt in the income statement	<u>(231,421)</u>	<u>(133,325)</u>

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2023 - the same as the standard rate of corporation tax in the UK) of 25% (2023 - 20%).

The differences are reconciled below:

	2024 £	2023 £
Loss before tax	<u>(1,020,340)</u>	<u>(579,906)</u>
Corporation tax at standard rate	(255,085)	(115,981)
Decrease in UK and foreign current tax from adjustment for prior periods	(10,448)	-
Effect of expense not deductible in determining taxable profit (tax loss)	34,112	10,656
Deferred tax credit from unrecognised temporary difference from a prior period	-	(2,000)
Deferred tax credit relating to changes in tax rates or laws	<u>-</u>	<u>(26,000)</u>
Total tax credit	<u>(231,421)</u>	<u>(133,325)</u>

A.B. Produce PLC
Notes to the Financial Statements for the Year Ended 31 May 2024

Deferred tax

Deferred tax assets and liabilities

	Asset	Liability
	£	£
2024		
Accelerated capital allowances	92,699	-
Short term timing differences	447,015	-
Unclaimed tax losses	431,650	-
	971,364	-
	971,364	-
	Asset	Liability
	£	£
2023		
Accelerated capital allowances	120,807	-
Short term timing differences	468,584	-
Unclaimed tax losses	161,000	-
	750,391	-
	750,391	-

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Notes to the Financial Statements for the Year Ended 31 May 2024

12 Intangible assets

	Other intangible assets £	Total £
Cost or valuation		
At 1 June 2023	590,477	590,477
At 31 May 2024	590,477	590,477
Amortisation		
At 1 June 2023	590,477	590,477
At 31 May 2024	590,477	590,477
Carrying amount		
At 31 May 2024	-	-

13 Tangible assets

	Furniture, fittings and equipment £	Motor vehicles £	Properties under construction £	Total £
Cost or valuation				
At 1 June 2023	10,967,034	1,574,498	28,707	12,570,239
Additions	94,827	16,500	-	111,327
Disposals	(14,500)	(125,760)	-	(140,260)
Transfers	28,707	-	(28,707)	-
At 31 May 2024	11,076,068	1,465,238	-	12,541,306
Depreciation				
At 1 June 2023	10,258,859	1,510,130	-	11,768,989
Charge for the year	150,034	39,083	-	189,117
Eliminated on disposal	(14,500)	(111,858)	-	(126,358)
At 31 May 2024	10,394,393	1,437,355	-	11,831,748
Carrying amount				
At 31 May 2024	681,675	27,883	-	709,558
At 31 May 2023	707,924	64,368	28,707	800,999

A.B. Produce PLC
Notes to the Financial Statements for the Year Ended 31 May 2024

14 Stocks

	2024	2023
	£	£
Raw materials and consumables	841,744	414,001
Finished goods and goods for resale	40,475	20,000
	<u>882,219</u>	<u>434,001</u>

15 Debtors

Current	2024	2023
	£	£
Trade debtors	4,677,262	2,949,667
Other debtors	8,969,851	8,470,493
Prepayments	730,937	601,999
Corporation tax receivable	11 -	38,000
	<u>14,378,050</u>	<u>12,060,159</u>

Non-current	2024	2023
	£	£
Other debtors	698,553	648,444
Deferred tax assets	11 971,364	750,391
	<u>1,669,917</u>	<u>1,398,835</u>

16 Creditors

	2024	2023
	£	£
Due within one year		
Loans and borrowings	21 734,346	393,000
Trade creditors	6,055,347	5,210,000
Social security and other taxes	118,756	103,000
Other payables	746,335	717,000
Accruals	6,460,141	3,893,001
	<u>14,114,925</u>	<u>10,316,001</u>

The bank overdraft is secured by an unlimited debenture.

A.B. Produce PLC
Notes to the Financial Statements for the Year Ended 31 May 2024

17 Provisions for liabilities

	Legal proceedings £	Other provisions £	Total £
At 1 June 2023	56,791	2,684,209	2,741,000
Increase (decrease) in existing provisions	<u>(56,791)</u>	<u>-</u>	<u>(56,791)</u>
At 31 May 2024	<u>-</u>	<u>2,684,209</u>	<u>2,684,209</u>

Dilapidations and decommissioning

The provision relates to the cost of identifiable areas of dilapidation and decommissioning regarding the leasehold site at Measham. Although there is a legal obligation to meet the costs of decommissioning and dilapidation in accordance with the lease that was due to expire in May 2022, subsequent to that date there has been an agreement in principle to extend the lease on similar terms until such time as a more formal extension is negotiated. Whilst it is expected that the extended lease will include similar obligations in respect of decommissioning and dilapidations, it is not expected that there will be a short-term cash outflow in relation to this provision subject to any consequential matters arising from the change in ownership of the parent company as set out in the Strategic Report.

As reported in the prior year financial statements, the company instructed professional agents to undertake a detailed review of the main elements within the provision relative to the terms of the lease regarding Enterprise House. As a result, the directors felt it fair and prudent to release £962,000 of the provision being carried to reflect the updated advice on the potential liabilities regarding the reinstatement obligations of certain external areas. This provision release was recorded as an exceptional item within the Statement of Comprehensive Income for the year ended 31 May 2022.

Legal claim

Following an investigation conducted by the Health & Safety Executive ("HSE") at the production facility at Measham, the company was prosecuted by the HSE under the Health & Safety at Work Act 1974 specifically under Regulation 11(1) of the Provision and Use of Work Equipment Regulations 1988. At a hearing in November 2022, the company pleaded guilty to this offence subject to certain mitigating factors. The provision relates to the fine imposed. The claim was fully settled in November 2023.

18 Pension and other schemes

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £101,793 (2023: £98,734).

At the year end there were unpaid pension contributions totalling £20,000 (2023: £19,000) which are included within other creditors in the financial statements.

A.B. Produce PLC
Notes to the Financial Statements for the Year Ended 31 May 2024

19 Share capital

Allotted, called up and fully paid shares

	2024		2023	
	No.	£	No.	£
Ordinary share capital of £1 each	83,352	83,352	83,352	83,352

20 Reserves

Share premium

Consideration received for shares issued above their nominal value net of transaction costs.

Capital redemption reserve

The value of shares repurchased.

Retained earnings

Cumulative profit and loss net of distribution to owners.

21 Loans and borrowings

Current loans and borrowings

	2024	2023
	£	£
Bank overdrafts	734,346	393,000

22 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2024	2023
	£	£
Not later than one year	7,053	-
Later than one year and not later than five years	-	20,570
	7,053	20,570

The amount of non-cancellable operating lease payments recognised as an expense during the year was £3,526 (2023 - £Nil).

A.B. Produce PLC

Notes to the Financial Statements for the Year Ended 31 May 2024

23 Contingent assets

Following the implementation of a revised and retrospective charging policy for water usage, the company has made representations to our water services provider regarding potential overcharges across several years amounting to £250,000. In January 2024, the company finally received confirmation that the charges were inappropriate, and credits have been processed to effect reimbursement. However, the corrections do not cover the full period of overcharging and only amount to c15% of the sums involved and we await further feedback on this from the service provider and Severn Trent. No amounts relative to these recoveries have been accrued in the accounts pending receipt of funds and/or the satisfactory resolution of this matter. It is the directors view that this potential refund constitutes a contingent asset, and as such the amount of the refund estimated to be £250,000 has not been recognised in these financial statements. Credits of £60,000 were received in January 2024.

24 Related party transactions

Related parties	Relationship	Nature of transactions
A.B. Produce Trading Limited	Parent undertaking	Ownership of shares
Bridgen Investments Limited	Company under common ownership and control	The lease of Enterprese House, loan and interest arrangements, capital additions, labour, energy and management recharges
AB Farms Ltd	Company under common ownership and control	Loan and interest arrangements, labour, management recharges and raw material purchases
P J Bridgen	Shareholder and Director	Shareholdings, key management compensation and partner in PJ & CL Bridgen
N A Sharratt	Director	Key management compensation
P J Ellis	Shareholder and Director	Shareholdings and key management compensation
D W Tomkinson	Shareholder and Director	Shareholdings and key management compensation
PJ & CL Bridgen	Partnership co-owned by P J Bridgen	Transport and agricultural services

A.B. Produce PLC
Notes to the Financial Statements for the Year Ended 31 May 2024

	2024	2023
	£	£
Bridgen Investments Limited		
Turnover and other operating income		
Transport services	47,327	1,028
Cost of sales, administration costs and interest charges		
Rental of Enterprise House	(468,000)	(468,000)
Energy charges	(360,000)	(360,000)
Loan interest	(8,832)	5,356
AD feedstock	434,636	535,495
Management services	113,496	270,633
Fuel recharges	(544,389)	(931,232)
AB Farms Limited		
Cost of sales, administration costs and interest charges		
Storage costs	(219,370)	-
Loan interest	50,108	58,937
Management services	-	90,747
Raw material purchases	-	(54,929)
PJ & CL Bridgen		
Turnover and other operating income		
Transport services	16,268	41,292
Cost of sales, administration costs and interest charges		
Contracting services	(12)	(40,735)
	(938,768)	(851,408)
	2024	2023
Receivables outstanding		
	£	£
Bridgen Investments Limited		
Trading and recharge accounts	1,200,045	1,104,302
Accrued income	3,363,184	2,815,052
AB Farms Limited		
Trading and recharge accounts	3,315,094	3,315,094
Accrued income	893,425	843,317
Loan outstanding	648,445	648,445
PJ & CL Bridgen		
Trading and recharge accounts	83,012	63,032
	9,503,205	8,789,242
	2024	2023

A.B. Produce PLC

Notes to the Financial Statements for the Year Ended 31 May 2024

Payables outstanding

Bridgen Investments Limited

Trading and recharge accounts	(1,347,648)	(1,284,382)
Accrued charges	(4,139,865)	(3,303,000)
Loan outstanding	(500,000)	-

AB Farms Limited

Trading and recharge accounts	(171,104)	(44,260)
	<u>(6,159,617)</u>	<u>(4,631,642)</u>

In March 2024, the company was granted a £500,000 short term loan facility by Bridgen Investments Limited which is currently fully utilised. Interest is payable at 2.5% above the bank base rate. The balance at 31 May 2024 was £500,000 (2023: £nil). The facility remains fully utilised and is due to expire on 31 May 2025.

The loan receivable from AB Farms Limited was made to finance the purchase of a farm. Interest accrues at a rate of 2.5% above the bank base rate and there is no fixed date for repayment. During the year £nil (2023: £399,000) was repaid against the outstanding balance.

During the year the company settled costs on behalf of Bridgen Investments Limited amounting to £94,505 (2023: £44,349) that are recoverable and included within the relevant balances shown above under "Receivables outstanding".

During the year the company settled costs on behalf of AB Farms Limited amounting to £nil (2023: £6,690) that are recoverable and included within the relevant balances shown above under "Receivables outstanding".

During the year the company purchased fuel through Bridgen Investments Limited amounting to £544,389 (2023: £931,232). These transactions were recharged to the company at cost. This practice has ceased and the company now sources its own fuel directly from suppliers. Any outstanding amounts through this arrangement are included within the relevant trading account balances shown above under "Payables outstanding".

The directors and the company's advisors have considered the position relative to the findings of HHJ Rawlings and have determined that in fact the Respondent has provided services from his agricultural partnership without charge to the company at least equalling to the benefits he has been adjudged to have received in the Petition proceedings during the preceding ten years. On that basis, the company has adopted a neutral position with the Respondent and has not included either a contingent asset or liability within these financial statements for the relative sums. The directors accept that any changes in this dynamic following implementation of the Order may impact the company's stance and this position will be monitored ongoing. No adjustment has been made to the statements for the year under review or prior years in relation to this matter.

The amounts included within the balance within this note were not correctly totalled from those balances included in the balance sheet and the comparative balance for Bridgen Investments Ltd has now been amended to £4,587,382. This amendment only affects this note to the financial statements.

A.B. Produce PLC
Notes to the Financial Statements for the Year Ended 31 May 2024

25 Relationship between entity and parents

The parent of the largest group in which these financial statements are consolidated is A.B. Produce Trading Limited, incorporated in the United Kingdom.

The address of A.B. Produce Trading Limited is:

6th Floor,
60 Gracechurch Street,
London,
EC3V 0HR.

The company's immediate parent is A.B. Produce Trading Limited, which owns 100% of the company's issued share capital.

The largest and smallest group to which the results of the company are consolidated is that headed by A.B. Produce Trading Limited, The overall control is with the Bridgen family.

A.B. Produce PLC
Notes to the Financial Statements for the Year Ended 31 May 2024

26 Non adjusting events after the financial period

Shareholder dispute

As reported previously, an estranged shareholder commenced Petitions under s994 of the Companies Act 2006 against his fellow shareholders in December 2018 involving three legal entities, which proceedings were defended throughout.

Following two trials in the High Court it was determined in March 2022 that the Petitions relative to two related companies and all Petitions against two shareholders had failed completely. The Claimant subsequently applied to HHJ Rawlings requesting leave to appeal and was denied. The Claimant then applied to the Court of Appeal and was again refused permission to appeal by Rt.Hon. Lady Justice Asplin on 22 October 2022.

At a hearing in the High Court in September 2023, HHJ Rawlings determined that there had been instances where the remaining Respondent had obtained benefit from the company which was prejudicial to the Petitioner and other shareholders. Following a hearing in January 2024 and Order was made which specified, amongst other things, the sale of shares between the existing shareholders of holdings in A.B. Produce Trading Limited, the parent company of A.B. Produce PLC. The Order prescribed that the share transfer would take place on 8 March 2024.

However, the Petitioner in this matter failed to comply with all aspects of the Order. Whilst the trial in the High Court has been concluded, given the lack of compliance by the Petitioner to all matters prescribed within the Order, the dispute remains technically still live pending further action in the civil courts by one or more of the shareholders. Whilst the directors find this situation deeply frustrating, they would reiterate that this matter relates to a potential change of ownership and does not in itself represent any change in the management or operation of the business but fully accept this may be a consequence of the change of ownership in due course. The directors continue to focus on the positive development of the company for the benefit all shareholders and other stakeholders.

The directors continue to utilise the services of an independent professional company secretary to oversee and advise on matters of corporate governance and statutory compliance to ensure robust procedures and policies are adopted.

Other matters

In June 2023, a claim by a local landowner was settled in full without cost to the company but on the agreement that the company removes a quantity of soil from the relevant land adjacent to its Measham site by 31 July 2024. Subsequent to this, in July 2024 the landowner approached the company regarding the transfer of certain unutilised rights over their land in exchange for the land where the soil resides. Agreement has been reached in principal and solicitors have been duly instructed. No provision had previously been made in the accounts for the removal of the soil given the relatively low cost involved and therefore the accounts remain unaffected by this matter.