

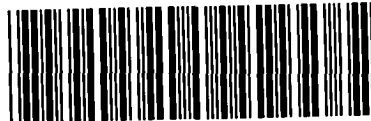
# AB World Foods Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS

for the period of 53 weeks ended

17 September 2016

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# AB World Foods Limited

## STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS

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CONTENTS	PAGE
Officers and professional advisers	1
Strategic report	2
Directors' report	3
Statement of Directors' responsibilities	5
Independent Auditor's report to the members of AB World Foods Limited	6
Income Statement	7
Balance sheet	8
Statement of Changes in Equity	9
Notes to the financial statements	10

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# AB World Foods Limited

## OFFICERS AND PROFESSIONAL ADVISERS

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### **DIRECTORS**

A Mayhew  
P Wildman  
S Henderson (appointed 26 October 2015)

### **SECRETARY**

R S Schofield

### **REGISTERED OFFICE**

Weston Centre  
10 Grosvenor Street  
London  
W1K 4QY

### **AUDITOR**

Ernst & Young LLP  
1 More London Place,  
London  
SE1 2AF

# AB World Foods Limited

## STRATEGIC REPORT

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The directors present their Strategic report for the period of 53 weeks ended 17 September 2016. Comparative information is presented for the 52 week accounting period ended 12 September 2015.

### PRINCIPAL ACTIVITY AND FUTURE DEVELOPMENT

The principal activity of the company during the year was the manufacture and distribution of Indian and Oriental sauces, pickles, pastes, chutneys and related products. These activities are expected to continue in the foreseeable future.

### REVIEW OF THE BUSINESS

#### Trading Review

Turnover was £2.1m higher than last year at £144.3m. Operating profit for the year increased from £15.7m to £17.7m. Net assets were £4.2m higher than last year at £27.3m.

#### Key Performance Indicators

The board uses a variety of key performance indicators to monitor progress against strategies and corporate objectives which include variances to budget and forecasts, measurement of operational efficiencies and health and safety statistics. The main financial KPI's for the business were

	2016	2015
Gross profit margin	31%	30%
Operating profit margin	12%	11%

### PRINCIPAL RISKS AND UNCERTAINTIES

A full description of the principal risks and uncertainties applicable to the Associated British Foods plc (ABF) group, of which this company is a subsidiary, are disclosed on pages 48-52 of the 2016 ABF Annual Report. The principal risks and uncertainties of this group arise in its trading subsidiaries and are assessed within the operating companies where they are identified, evaluated and managed by the directors.

- **Margin risk**

Competitive pressure in the UK and international markets is a continuing risk for the company. The company manages this risk by providing value added products and services to its customers at competitive prices and by providing a high level of service and quality.

- **Credit risk**

The company is exposed to credit risk on its sales. However, internal control systems are in place to minimise this risk by ensuring that sales of products are made to customers with an appropriate credit history and by monitoring adherence to credit terms.

- **Currency exchange rate risk**

The company transacts in a variety of foreign currencies, which are subject to volatility. This risk is managed by the use of hedging instruments for major currencies for up to eighteen months in advance.

By order of the board



S Henderson  
Director

28 February 2017

Weston Centre  
10 Grosvenor Street  
London  
W1K 4QY

# AB World Foods Limited

## THE DIRECTORS' REPORT

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The directors submit their report and financial statements of AB World Foods Limited for the period of 53 weeks ended 17 September 2016. Comparative information is presented for 52 weeks ended 12 September 2015.

### RESULTS AND DIVIDENDS

The trading results for the period and the company's financial position at the end of the period are shown in the attached financial statements. A dividend of £12m (2015: £10m) was paid in the year.

### DIRECTORS

The directors who served the company during the period were:

A Mayhew

P Wildman

S Henderson (appointed 26 October 2015)

At 17 September 2016 the directors had no beneficial interests in the share capital of the company (2015: £nil)

### GOING CONCERN

The company's business activities together with its financial performance and position are set out in the Strategic report and the Directors' report. The Strategic report also describes the company's financial risk management, details of its hedging activities and its exposure to credit and liquidity risk.

The company meets its day to day working capital requirements as a result of being consistently cash generative. In addition to this the company has an overdraft facility which is renewable annually. The company's forecasts and projections, taking into account reasonably possible changes in trading performance, show that the company should be able to operate within its current overdraft facility for the foreseeable future.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and are not aware of any material uncertainties to contradict this expectation. Thus they have continued to adopt the going concern basis of accounting in preparing the financial statements.

### TRANSITION TO FRS 101

During the year the company transitioned from previously extant UK GAAP to FRS 101 - Reduced Disclosure Framework. FRS 101 sets out a reduced disclosure framework which addresses the financial reporting requirements and disclosure exemptions for the individual financial statements of subsidiaries and ultimate parents that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS. The company has taken advantage of the disclosure exemptions allowed under this standard. The company's parent undertaking, Associated British Foods plc, was notified of and did not object to the use of the EU-adopted IFRS disclosure exemptions. Details of the recognition or measurement differences arising on the adoption of FRS101 are included in note 21 to these financial statements.

### RESEARCH AND DEVELOPMENT

The company continues to undertake research and development in the pursuit of new and improved products. All research and development costs are expensed as incurred.

### EMPLOYEES

The company is committed to offering equal opportunities to all people in their recruitment, training, continuing employment and career development, having regard for their particular aptitudes and abilities. Full and fair consideration is given to applicants with disabilities and every effort is made to give employees who become disabled whilst employed by the group, an opportunity for retraining. It is group policy that the training, career development and promotion of disabled persons should, as far as possible, be the same as that of other employees.

The company recognises the value of good employee relations and communications. To promote employee interest in the performance of the company, there is an incentive scheme for all employees. It is the company's established practice that all employees have access to their immediate superiors and ultimately the directors, to discuss matters of concern to them as employees; and that the views of employees are sought and taken into account in making decisions likely to affect their interests.

# AB World Foods Limited

## THE DIRECTORS' REPORT

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### **SUPPLIER PAYMENT POLICY**

The company's policy is to agree payment terms with suppliers when negotiating the terms of each transaction, to ensure that suppliers are fully aware of these payment terms, and to abide by them. Trade creditors of the company at 17 September 2016 were equivalent to 25 days' purchase (2015: 24 days), based on the average daily amount invoiced by suppliers during the year.

### **POLITICAL AND CHARITABLE DONATIONS**

During the year the company made charitable donations of £5,671 (2015: £5,271). No political donations were made during the period (2015: £nil).

### **AUDITOR**

KPMG LLP resigned as auditor of the company with effect from 21 December 2015 and a copy of the notice of resignation was subsequently filed with the Registrar of Companies. In accordance with section 485(3)(c) of the Companies Act 2006, the directors appointed Ernst & Young LLP as independent external auditor for the period of 53 weeks ending 17 September 2016.

### **DISCLOSURE OF INFORMATION TO THE AUDITOR**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

By order of the board



S Henderson  
Director

28 February 2017

Weston Centre  
10 Grosvenor Street  
London  
W1K 4QY

# AB World Foods Limited

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS

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The directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with the applicable UK law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AB WORLD FOODS LIMITED

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We have audited the financial statements of AB World Foods Limited for the period of 53 weeks ended 17 September 2016, which comprise the Income Statement, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

This report is made solely to the Company's member, 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 member those matters we are required to state to it in an auditors' 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 member as a body for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of Directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Directors' Report and the Strategic Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

## **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 17 September 2016 and of its profit for the period of 53 weeks then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

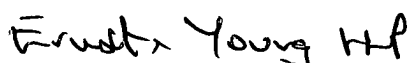
- the information given in the Directors' report and the Strategic report for the financial period for which the financial statements are prepared is consistent with the financial statements;
- the Strategic Report and the Directors' report have been prepared in accordance with the applicable legal requirements.

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

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or 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.



Andy Glover (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor

London

03 MAR 2017



# AB World Foods Limited

## INCOME STATEMENT

for the period of 52 weeks ended 17 September 2016

		53 weeks ended 17 September 2016 £000's	52 weeks ended 12 September 2015 £000's
	Notes		
TURNOVER	3	144,279	142,175
Cost of sales		(99,619)	(100,161)
Gross profit		44,660	42,014
Administrative expenses		(26,188)	(25,655)
Other operating income		110	120
Other operating expenses		(887)	(827)
OPERATING PROFIT	4	17,695	15,652
Interest receivable and similar income	6	15	-
Interest payable and similar charges	7	(127)	(122)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		17,583	15,530
Taxation	8	(3,324)	(3,252)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		14,259	12,278

There were no other comprehensive income or expense other than those recognised in the income statement for either period.

The profit on ordinary activities before taxation relates entirely to continuing activities in the period.

The notes to the financial statements are set out on pages 10-24.

# AB World Foods Limited

## BALANCE SHEET

As at 17 September 2016

		As at 17 September 2016 £000's	As at 12 September 2015 £000's
	Notes		
<b>FIXED ASSETS</b>			
Tangible assets	9	17,801	18,874
Intangible assets	10	475	506
Investments	11	-	-
		<u>18,276</u>	<u>19,380</u>
<b>CURRENT ASSETS</b>			
Stocks	12	11,442	10,142
Debtors	13	26,651	25,787
Cash at bank		-	606
		<u>38,093</u>	<u>36,535</u>
<b>CREDITORS</b>			
Amounts falling due within one year	14	(27,647)	(31,463)
<b>NET CURRENT ASSETS</b>		<u>10,446</u>	<u>5,072</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>28,722</u>	<u>24,452</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Deferred Taxation	15	(1,397)	(1,353)
<b>NET ASSETS</b>		<u>27,325</u>	<u>23,099</u>
<b>CAPITAL AND RESERVES</b>			
Called up equity share capital	17	15	15
Profit and loss account	18	27,310	23,084
<b>SHAREHOLDER'S FUNDS</b>	19	<u>27,325</u>	<u>23,099</u>

The notes to the financial statements are set out on pages 10-24

These financial statements were approved by the board of directors and authorised for issue on 28 February 2017 and are signed on its behalf by:



S Henderson  
Director

Company Registration No. 01400901

**AB World Foods Limited**  
**STATEMENT OF CHANGES IN EQUITY**  
**As at 17 September 2016**

	<b>Share capital</b>	<b>Profit and loss reserve</b>	<b>Hedging reserve</b>	<b>Share based payment reserve</b>	<b>Total Equity</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
As at 13 September 2014	15	20,715	(130)	283	20,883
Profit for the financial period	-	12,278	-	-	12,278
Movement in hedging reserve	-	-	(170)	-	(170)
Tax in reserve from hedging	-	-	34	-	34
Movement in share based payment reserve	-	-	-	74	74
Dividends paid	-	(10,000)	-	-	(10,000)
<b>As at 12 September 2015</b>	<b>15</b>	<b>22,993</b>	<b>(266)</b>	<b>357</b>	<b>23,099</b>
Profit for the financial period	-	14,259	-	-	14,259
Movement in hedging reserve	-	-	2,184	-	2,184
Tax in reserve from hedging	-	-	(381)	-	(381)
Movement in share based payment reserve	-	-	-	164	164
Dividends paid	-	(12,000)	-	-	(12,000)
<b>As at 17 September 2016</b>	<b>15</b>	<b>25,252</b>	<b>1,537</b>	<b>521</b>	<b>27,325</b>

# AB World Foods Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period ended 17 September 2016

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### 1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH FRS 101

The financial statements of AB World Foods Limited (the "Company") for the 53 weeks ended 17 September 2016 were authorised for issue by the board of directors on 28 February 2017 and the balance sheet was signed on the board's behalf by Stephen Henderson. AB World Foods Limited is incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

The results of AB World Foods Limited are included in the consolidated financial statements of Associated British Foods plc, which are available from Weston Centre, 10 Grosvenor Street, London W1K 4QY, United Kingdom.

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

### 2. ACCOUNTING POLICIES

#### BASIS OF PREPARATION

During the year the Company transitioned from previously extant UK GAAP to FRS 101 'Reduced Disclosure Framework'. FRS 101 sets out a reduced disclosure framework which addresses the financial reporting requirements and disclosure exemptions for the individual financial statements of subsidiaries and ultimate parents that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted FRS. The Company has taken advantage of the disclosure exemptions allowed under this standard. The Company's parent undertaking was notified of and did not object to the use of the EU-adopted IFRS disclosure exemptions. Details of the recognition or measurement differences arising on the adoption of FRS101 are included in Note 21 to these financial statements.

The Company has taken advantage of the following disclosure exemptions under FRS 101 as the equivalent disclosures are included in the consolidated financial statements of Associated British Foods plc:

- (a) The requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payments;
- (b) the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
- (c) the requirements of IFRS 7 Financial Instruments;
- (d) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- (e) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  - (i) paragraph 79(a)(iv) of IAS 1;
  - (ii) paragraph 118(e) of IAS 38 Intangible Assets;
- (f) The requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- (g) the requirements of IAS 7 Statement of Cash Flows;
- (h) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- (i) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- (j) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member ; and
- (k) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

The financial statements have been prepared on a going concern basis. The directors have reviewed the financial position of the Company, including arrangements with the group undertakings, and believe that it remains appropriate to prepare the financial statements on a going concern basis.

# AB World Foods Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period ended 17 September 2016

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### 2. ACCOUNTING POLICIES (CONTINUED)

#### TURNOVER

The turnover shown in the profit and loss account represents the invoiced value of sales made to customers after the deduction of discounts and excluding value added tax. Discounts include sales rebates, price discounts, customer incentives, certain promotional activities and similar activities. Turnover is recognised when the risks and rewards of the underlying products have been substantially transferred to the customer and when it can be reliably measured.

#### FIXED ASSETS AND DEPRECIATION

Depreciation is calculated so as to write off the original cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold buildings	- 2% per annum straight-line
Short leasehold property	- Over the period of the lease
Plant & machinery	- 8% - 20% per annum straight-line
Fixtures & fittings	- 8% per annum straight-line
Motor vehicles	- 20% straight-line

The directors review the carrying value of tangible fixed assets for impairment if events or changes in circumstance indicate the carrying value may not be recoverable.

#### INVESTMENTS

Investments are stated at cost less amounts written off in respect of any impairment in value.

#### STOCKS AND WORK IN PROGRESS

Stocks and work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Cost is computed on a first in first out basis. Net realisable value is based on estimated selling price less the estimated cost of disposal. Cost represents materials, direct labour and appropriate production overheads.

#### OPERATING LEASE AGREEMENTS

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

#### TAXATION

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

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

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

# AB World Foods Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period ended 17 September 2016

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### 2. ACCOUNTING POLICIES (CONTINUED)

#### FOREIGN CURRENCIES

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

#### DERIVATIVE FINANCIAL INSTRUMENTS

Forward foreign exchange contracts are used to hedge forecast transactional cash flows and accordingly, any gains or losses on these contracts are recognised in the profit and loss account when the underlying transaction is settled. Gains or losses arising on hedging instruments that are cancelled due to the termination of the underlying exposure are taken to the profit and loss account immediately.

#### PENSIONS

The Company is a member of the Associated British Foods Pension Scheme which operates both a defined contribution and a defined benefit pension scheme. The assets of the defined benefit scheme, which is a multi-employer scheme, are held in trustee administered funds.

Under previous UK GAAP, the Company was unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis, as permitted by FRS17 'Retirement benefits', the scheme is accounted for by the company as if it was a defined contribution scheme. On September 2002 this scheme was closed to new members and a defined contribution arrangement was put in place for other employees. In accordance with FRS17, the defined contribution pension costs are the contributions payable to the pension scheme and these are charged to the profit and loss account in the period in which they arise.

Under FRS 101, members of a multi-employer defined benefit scheme are required to recognise their share of the costs and net asset or liability arising under the plan. Where there is no contractual agreement or stated policy for identifying this allocation to individual member companies, the full amounts are to be recognised in the individual financial statements of the principal employer of the defined benefit scheme. On transition to FRS 101, the Company has been identified as the principal employer of the Associated British Foods Pension Scheme and has therefore recognised that scheme in full in its individual financial statements.

#### RESEARCH AND DEVELOPMENT

Research and development expenditure is written off in the year in which it is incurred.

#### IMPAIRMENT OF NON-FINANCIAL ASSETS

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment loss is recognised immediately in the income statement, unless the asset is carried at a revalued amount when it is treated as a revaluation increase.

# AB World Foods Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period ended 17 September 2016

### 2. ACCOUNTING POLICIES (CONTINUED)

#### ASSOCIATED BRITISH FOODS EXECUTIVE SHARE INCENTIVE PLAN ('the Share Incentive Plan')

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

### 3. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company. A geographical analysis of turnover by destination is given below:

	53 weeks ended 17 September 2016 £000's	52 weeks ended 12 September 2015 £000's
United Kingdom	112,484	111,450
Other EU countries	12,054	11,536
USA and Canada	9,370	8,492
Australasia	5,764	5,923
Rest of the world	4,607	4,774
	<u>144,279</u>	<u>142,175</u>

### 4. OPERATING PROFIT

Operating profit is stated after charging

	53 weeks ended 17 September 2016 £000's	52 weeks ended 12 September 2015 £000's
Depreciation of owned fixed assets	1,915	1,938
Amortisation of intangible assets	192	196
Auditor's remuneration paid to external auditor and its affiliates		
- for audit services	86	73
- for other services	33	4
Operating lease costs:		
Land and buildings	330	330
Other assets	648	716
Loss on disposal of tangible fixed asset	10	-
Net (gain)/loss on foreign currency translation	(161)	793

Auditor's remuneration was paid to Ernst & Young LLP in the period ended 17 September 2016 and to KPMG LLP in the prior period.

# AB World Foods Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period ended 17 September 2016

### 5. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial period was:

	53 weeks ended 17 September 2016 No.	52 weeks ended 12 September 2015 No.
Production staff	200	207
Office and management staff	191	206
Research and development staff	6	6
	<u>397</u>	<u>419</u>

The aggregate payroll costs of the above were:

	53 weeks ended 17 September 2016 £000's	52 weeks ended 12 September 2015 £000's
Wages and salaries	17,332	15,875
Social security costs	1,850	1,692
Other pension costs	1,189	1,434
	<u>20,371</u>	<u>19,001</u>

Under previous UK GAAP, the Company took advantage of the exemption available in FRS 17 to account for contributions arising from its membership of a multi-employer defined benefit scheme as if they were contributions to a defined contribution scheme, on the basis that the Company was unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis.

Under FRS 101, members of a multi-employer defined benefit scheme are required to recognise their share of the costs and net asset or liability arising under the plan. Where there is no contractual agreement or stated policy for identifying this allocation to individual member companies, the full amounts are to be recognised in the individual financial statements of the principal employer of the defined benefit scheme. On transition to FRS 101, the Company has not been identified as the principal employer of the Associated British Foods Pension Scheme and has therefore not recognised that scheme in full in its individual financial statements.

The next triennial valuation of the UK scheme is due in April 2017 and it is expected that appropriate contribution plans, designed to fund the scheme and any deficit over the long term, will be implemented. The last valuation of the UK scheme was undertaken as at 5 April 2014 which was agreed by the trustees in December 2014, and revealed a surplus of £79m. There are no material differences in the valuation methodologies under IAS 19 and FRS 17. Full IAS 19 disclosures can be found within the financial statements of Associated British Foods plc, which may be obtained from Weston Centre, 10 Grosvenor Street, London, W1K 4QY. These financial statements are also available for download from the group's website at [www.abf.co.uk](http://www.abf.co.uk). The company makes payments to Associated British Foods plc based on the pensionable remuneration of its employees. Total payments in the financial period were £165k (2015: £144k).



# AB World Foods Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period ended 17 September 2016

### 5. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	53 weeks ended 17 September 2016 £000's	52 weeks ended 12 September 2015 £000's
Emoluments receivable	738	622
	<u>738</u>	<u>622</u>

Emoluments of highest paid director:

	53 weeks ended 17 September 2016 £000's	52 weeks ended 12 September 2015 £000's
Total emoluments (excluding pension contributions)	367	424
	<u>367</u>	<u>424</u>

No directors accrued benefits under company pension schemes in either the current or previous year.

#### *Share-based payments*

The Associated British Foods Executive Share Incentive Plan 2003 ('the Share Incentive Plan') was approved and adopted by Associated British Foods plc at its annual general meeting held on 5 December 2003. It takes the form of conditional allocations of shares which will be released if, and to the extent that, certain performance targets are satisfied over a three-year performance period.

The Company recognised a total equity-settled share-based payment expense of £164,001 (2015: £74,003).

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

### 6. INTEREST RECEIVABLE AND SIMILAR INCOME

	53 weeks ended 17 September 2016 £000's	52 weeks ended 12 September 2015 £000's
Dividends received from investments	15	-
	<u>15</u>	<u>-</u>

# AB World Foods Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period ended 17 September 2016

### 7. INTEREST PAYABLE AND SIMILAR CHARGES

	53 weeks ended 17 September 2016 £000's	52 weeks ended 12 September 2015 £000's
Interest payable on intercompany loans	107	102
Interest payable on bank overdrafts	20	20
	<u>127</u>	<u>122</u>

### 8. TAXATION ON ORDINARY ACTIVITIES

#### (a) Analysis of charge in the period

	53 weeks ended 17 September 2016 £000's	52 weeks ended 12 September 2015 £000's
<b>Current tax:</b>		
In respect of the period:		
UK Corporation tax based on the results for the period	3,661	3,239
Total current tax	<u>3,661</u>	<u>3,239</u>
<b>Deferred tax:</b>		
Change in applicable tax rate	213	(3)
Capital allowances in excess of depreciation	(484)	125
Adjustment in respect of previous years	(66)	(109)
Total deferred tax (note 15)	<u>(337)</u>	<u>13</u>
<b>Tax on profit on ordinary activities</b>	<u>3,324</u>	<u>3,252</u>

#### (b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the period is different from the standard rate of corporation tax in the UK of 20.00% (2015: 20.54%). The differences are explained below.

	53 weeks ended 17 September 2016 £000's	52 weeks ended 12 September 2015 £000's
Profit on ordinary activities before taxation	<u>17,583</u>	<u>15,530</u>
Current tax on profit on ordinary activities at 20.00% (2015: 20.54%)	3,516	3,190
Expenses not deductible for tax purposes	46	31
Adjustments to tax charge in respect of previous periods	(112)	(41)
Effect of rate change	(203)	(21)
Overseas tax not recoverable	77	93
Total tax charge	<u>3,324</u>	<u>3,252</u>

# AB World Foods Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period ended 17 September 2016

### 8. TAXATION ON ORDINARY ACTIVITIES (CONTINUED)

#### (c) Factors affecting future tax charge

The UK corporation tax rate was reduced from 21% to 20% with effect from 1 April 2015, with a further reduction to 19% from 1 April 2017 and 17% from 1 April 2020. The legislation to effect these rate changes had been enacted before the balance sheet date. As deferred tax is measured at the rates that are expected to apply in the periods when the underlying timing differences reverse, closing deferred tax balances have been calculated using a rate of 17%.

### 9. TANGIBLE FIXED ASSETS

	Freehold property £000's	Short Leasehold property £000's	Plant & machinery £000's	Fixtures & fittings £000's	Total £000's
<u>Cost</u>					
At 12 September 2015	6,457	887	28,606	1,587	37,537
Additions	23	-	777	52	852
Disposals	-	-	(154)	-	(154)
<b>At 17 September 2016</b>	<b>6,480</b>	<b>887</b>	<b>29,229</b>	<b>1,639</b>	<b>38,235</b>
<u>Depreciation</u>					
At 12 September 2015	1,826	439	15,608	790	18,663
Charge for the period	63	55	1,689	108	1,915
Disposals	-	-	(144)	-	(144)
<b>At 17 September 2016</b>	<b>1,889</b>	<b>494</b>	<b>17,153</b>	<b>898</b>	<b>20,434</b>
<u>Net Book Value</u>					
At 12 September 2015	4,631	448	12,998	797	18,874
<b>At 17 September 2016</b>	<b>4,591</b>	<b>393</b>	<b>12,076</b>	<b>741</b>	<b>17,801</b>

### 10. INTANGIBLE ASSETS

	Computer Software £000's
<u>Cost</u>	
At 12 September 2015	1,402
Additions	161
<b>At 17 September 2016</b>	<b>1,563</b>
<u>Amortisation</u>	
At 12 September 2015	896
Charge for the period	192
<b>At 17 September 2016</b>	<b>1,088</b>
<u>Net Book Value</u>	
At 12 September 2015	506
<b>At 17 September 2016</b>	<b>475</b>

# AB World Foods Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period ended 17 September 2016

### 11. INVESTMENTS

	Subsidiary Undertakings £000's
<u>Cost</u>	
At 12 September 2015	3,099
<b>At 17 September 2016</b>	<b>3,099</b>
<u>Provision for Impairment</u>	
At 12 September 2015	3,099
<b>At 17 September 2016</b>	<b>3,099</b>
<u>Net Book Value</u>	
At 12 September 2015	0
<b>At 17 September 2016</b>	<b>0</b>

The company has investments in the following subsidiary undertakings and other investments:

Company Name	Country of incorporation	Principal activity	Class of shares	Shares held %
<b><u>Subsidiary Undertakings</u></b>				
Patak's Breads Limited	England & Wales	Dormant company	Ordinary	100
Patak's Frozen Foods Limited	Scotland	Non trading company	Ordinary	100
Korway Holdings Limited	Scotland	Dormant intermediate holding company	Ordinary	100
Patak's Chilled Foods Limited	Scotland	Non trading company	Ordinary	100
<b><u>Other Investments</u></b>				
LRE Limited	England & Wales	Holding Company	Ordinary	3
Caribbean Sunshine Holdings Limited	Malta	Holding Company	Ordinary	3

All subsidiary companies whether held directly or indirectly, have the same year end as AB World Foods Limited.

### 12. STOCKS

	52 weeks ended 17 September 2016 £000's	52 weeks ended 12 September 2015 £000's
Packaging materials	390	373
Raw materials	2,358	2,424
Work in progress	228	62
Finished goods	8,466	7,283
	<b>11,442</b>	<b>10,142</b>

# AB World Foods Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period ended 17 September 2016

### 13. DEBTORS

	53 weeks ended 17 September 2016 £000's	52 weeks ended 12 September 2015 £000's
Trade debtors	18,695	20,112
Amounts owed from group undertakings	2,845	2,407
Other debtors	1,184	873
Derivative receivable	2,317	466
Prepayments	1,610	1,929
	<u>26,651</u>	<u>25,787</u>

### 14. CREDITORS: Amounts falling due within one year

	53 weeks ended 17 September 2016 £000's	52 weeks ended 12 September 2015 £000's
Trade creditors	7,331	5,108
Amounts owed to group undertakings	6,086	10,375
Corporation tax	1,629	3,187
Other taxes and social security	-	(17)
Derivative payable	501	980
Overdraft	60	-
Accruals and deferred income	12,040	11,830
	<u>27,647</u>	<u>31,463</u>

Amounts owed to group undertakings are presented with intercompany loans received from other entities within the ABF Group, which bear interest of LIBOR plus 0.25% and reviewed every six months.

### 15. DEFERRED TAXATION

The movement in the deferred taxation account during the period was:

	53 weeks ended 17 September 2016 £000's	52 weeks ended 12 September 2015 £000's
Balance brought forward	1,353	1,374
(Charge)/credit to the profit and loss account	(337)	12
Tax associated with hedging reserve	381	(33)
Balance carried forward	<u>1,397</u>	<u>1,353</u>

# AB World Foods Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period ended 17 September 2016

### 15. DEFERRED TAXATION (CONTINUED)

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	53 weeks ended 17 September 2016 £000's	52 weeks ended 12 September 2015 £000's
Deferred tax on hedging reserve	315	(66)
Excess of capital allowances over depreciation on fixed assets	<u>1,082</u>	<u>1,419</u>

### 16. FINANCIAL COMMITMENTS

The company had capital commitments at 17 September 2016 of £274,000 (2015: £720,000)

Commitments under non-cancellable operating leases are as follows:

	As at 17 September 2016		As at 12 September 2015	
	Land and Buildings £000's	Other £000's	Land and Buildings £000's	Other £000's
Expiry date				
- within one year	330	453	330	488
- between two and five years	1,319	706	1,319	510
- after five years	577	-	908	-
	<u>2,226</u>	<u>1,159</u>	<u>2,557</u>	<u>998</u>

### 17. CALLED UP EQUITY SHARE CAPITAL

	As at 17 September 2016 £000's	As at 12 September 2015 £000's
Allotted, called up and fully paid: 15,000 Ordinary shares of £1 each	<u>15</u>	<u>15</u>

# AB World Foods Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period ended 17 September 2016

### 18. STATEMENT OF MOVEMENT ON RESERVES

	Profit and loss account £000's
At 12 September 2015	23,084
Profit for the financial period	14,259
Credit to equity for equity settled share-based payment	164
Movement in hedging reserve	2,184
Tax in reserves	(381)
Dividends paid	(12,000)
<b>At 17 September 2016</b>	<b>27,310</b>

### 19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	As at 17 September 2016 £000's	As at 13 September 2015 £000's
Profit for the financial period	14,259	12,278
Dividends paid	(12,000)	(10,000)
Credit to equity for equity settled share-based payment	164	74
Movement in hedging reserve	2,184	(170)
Tax in reserve	(381)	34
Opening shareholder's funds	23,099	20,883
Closing shareholder's funds	<b>27,325</b>	<b>23,099</b>

### 20. ULTIMATE PARENT UNDERTAKING AND PARENT UNDERTAKING OF LARGER GROUP OF WHICH THE COMPANY IS A MEMBER

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

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

### 21. TRANSITION TO FRS 101

For all periods up to and including the 52 weeks ended 12 September 2015, the company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practices (UK GAAP). These financial statements, for the 53 week period ending 17 September 2016, are the first the Company has prepared in accordance with FRS 101.

# AB World Foods Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period ended 17 September 2016

### 21. TRANSITION TO FRS 101 (CONTINUED)

Accordingly, the Company has prepared individual financial statements which comply with FRS101 applicable for periods beginning on or after 1 January 2014 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the Company has started from an opening balance sheet date as at 14 September 2014, the Company's date of transition to FRS101, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS101. As such, this note explains the principal adjustments made by the company in restating its balance sheet as at 14 September 2014 prepared under previously extant UK GAAP and its previously published UK GAAP financial statements for the year ended 14 September 2014.

On transition to FRS101, the Company has applied the requirements of paragraphs 6-33 of IFRS 1 "First time adoption of International Financial Reporting Standards".

*Reconciliation of equity as at 13 September 2014*

	UK GAAP	FRS 101 Reclassifications /Re- measurements	FRS101
	£'000	£'000	£'000
Tangible assets	19,566	(659)	18,907
Intangible assets	-	659	659
Investments	-	-	-
	<u>19,566</u>	<u>-</u>	<u>19,566</u>
<b>CURRENT ASSETS</b>			
Stocks	11,406	177	11,583
Debtors	24,963	283	25,246
Cash at bank	525	-	525
	<u>36,894</u>	<u>460</u>	<u>37,354</u>
<b>CREDITORS</b>			
Amounts falling due within one year	(34,041)	(622)	(34,663)
<b>NET CURRENT ASSETS</b>	<u>2,853</u>	<u>(162)</u>	<u>2,691</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>22,419</u>	<u>(162)</u>	<u>22,257</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Deferred Taxation	(1,406)	-	(1,406)
<b>NET ASSETS</b>	<u>21,013</u>	<u>(162)</u>	<u>20,851</u>
<b>CAPITAL AND RESERVES</b>			
Called up equity share capital	15	-	15
Profit and loss account	20,998	(162)	20,836
<b>SHAREHOLDER'S FUNDS</b>	<u>21,013</u>	<u>(162)</u>	<u>20,851</u>



# AB World Foods Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period ended 17 September 2016

### 21. TRANSITION TO FRS 101 (CONTINUED)

*Reconciliation of equity as at 12 September 2015*

	UK GAAP	FRS 101 Reclassifications /Re- measurements	FRS101
	£'000	£'000	£'000
Tangible assets	19,380	(506)	18,874
Intangible assets		506	506
Investments	-	-	-
	<u>19,380</u>	<u>-</u>	<u>19,380</u>
<b>CURRENT ASSETS</b>			
Stocks	9,960	182	10,142
Debtors	25,321	466	25,787
Cash at bank	606	-	606
	<u>35,887</u>	<u>648</u>	<u>36,535</u>
<b>CREDITORS</b>			
Amounts falling due within one year	(30,483)	(980)	(31,463)
<b>NET CURRENT ASSETS</b>	<u>5,404</u>	<u>(332)</u>	<u>5,072</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<u>24,784</u>	<u>(332)</u>	<u>24,452</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>			
Deferred Taxation	(1,419)	66	(1,353)
<b>NET ASSETS</b>	<u>23,365</u>	<u>(266)</u>	<u>23,099</u>
<b>CAPITAL AND RESERVES</b>			
Called up equity share capital	15	-	15
Profit and loss account	23,350	(266)	23,084
<b>SHAREHOLDER'S FUNDS</b>	<u>23,365</u>	<u>(266)</u>	<u>23,099</u>

*Restatements of equity from UK GAAP to FRS101*

#### Computer Software

Under previous UK GAAP computer software was capitalised under tangible fixed assets. On transition to FRS 101 IAS 38 requires software costs to be classified as an intangible asset, unless it is an integral part of the related hardware.

# AB World Foods Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the period ended 17 September 2016

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### 21. TRANSITION TO FRS 101 (CONTINUED)

#### Derivatives

The Company enters into exchange forward contracts to hedge receipts and payments in currencies other than sterling. Under previous UK GAAP these derivatives were held off balance sheet with only settlement gains or losses recognised through the profit and loss account. On transition to FRS 101 these derivatives will be recognised on the balance sheet. The Company has taken advantage of the disclosure exemption under FRS 101 for IFRS 7 Financial Instruments.