

AB World Foods Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS

for the period of 52 weeks ended

16 September 2017



AB World Foods Limited

STRATEGIC REPORT, DIRECTORS' REPORT AND FINANCIAL STATEMENTS

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AB World Foods Limited

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

A Mayhew
P Wildman
S Henderson

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

The directors present their Strategic report for the period of 52 weeks ended 16 September 2017. Comparative information is presented for the 53 week accounting period ended 17 September 2016.

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 £2.6m higher than last year at £146.9m. Operating profit for the year increased from £17.7m to £18.3m. Net assets were £12.9m higher than last year at £40.2m.

Turnover and operating profit continued to grow overall, despite a competitive UK market, where Sales have slightly decreased, and on-going adverse impacts of exchange rates. We have had strong growth in our key International markets of North America and Australasia where turnover has increased by 27% and 25% respectively. We also continue to invest in our brands, with a re-branding of Blue Dragon during the year, and are focussed on reaching our consumers through innovative and new product lines.

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

	2017	2016
Gross profit margin	30%	31%
Operating profit margin	12%	12%

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 54-58 of the 2017 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.

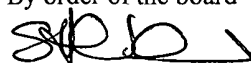
- **Credit risk**

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

29 March 2018

Weston Centre
10 Grosvenor Street
London
W1K 4QY

AB World Foods Limited

THE DIRECTORS' REPORT

The directors submit their report and financial statements of AB World Foods Limited for the period of 52 weeks ended 16 September 2017. Comparative information is presented for 53 weeks ended 17 September 2016.

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 £Nil (2016: £12m) was paid in the year.

DIRECTORS

The directors who served the company during the period were:

A Mayhew
P Wildman
S Henderson

At 16 September 2017 the directors had no beneficial interests in the share capital of the company (2016: £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.

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.

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 16 September 2017 were equivalent to 28 days' purchase (2016: 25 days), based on the average daily amount invoiced by suppliers during the year.

AB World Foods Limited

THE DIRECTORS' REPORT

HEALTH AND SAFETY POLICY

The company keeps its safety, health and environmental performance and levels of legal compliance under regular review and ensures that its risk management controls are appropriate and effective. The company's board of directors reviews these at least annually, as does the board of Associated British Foods plc.

POLITICAL AND CHARITABLE DONATIONS

During the year the company made charitable donations of £8,794 (2016: £5,671). No political donations were made during the period (2016: £nil).

DIRECTORS' INDEMNITIES

The directors have benefited from the ABF Group's Directors and Officers Insurance policy and from indemnity provisions provided by an intermediate holding company during the financial period and as at the date of this report, subject to the conditions set out in the Companies Act 2006.

AUDITOR

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

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

29 March 2018

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

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), including Financial Reporting Standard 101 '*Reduced Disclosure Framework*'.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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

We have audited the financial statements of AB World Foods Limited for the period of 52 weeks ended 16th September 2017 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 FRS 101 "Reduced Disclosure Framework."

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 16th September 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

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.

Conclusions relating to going concern

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

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

Other information

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

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

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

We have nothing to report in this regard.

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

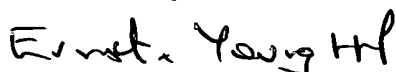
As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



Andy Glover (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
29 March 2018

AB World Foods Limited

INCOME STATEMENT

for the period of 52 weeks ended 16 September 2017

		52 weeks ended 16 September 2017 £000's	53 weeks ended 17 September 2016 £000's
	Notes		
TURNOVER	3	146,895	144,279
Cost of sales		(102,357)	(99,619)
Gross profit		44,538	44,660
Administrative expenses		(25,241)	(26,188)
Other operating income		151	110
Other operating expenses		(1,135)	(887)
OPERATING PROFIT	4	18,313	17,695
Interest receivable and similar income	6	-	15
Interest payable and similar charges	7	(26)	(127)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		18,287	17,583
Taxation	8	(3,805)	(3,324)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		14,482	14,259

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 11-22.

AB World Foods Limited

BALANCE SHEET

As at 16 September 2017

		As at 16 September 2017 £000's	As at 17 September 2016 £000's
	Notes		
FIXED ASSETS			
Tangible assets	9	17,127	17,801
Intangible assets	10	398	475
Investments	11	-	-
		<u>17,525</u>	<u>18,276</u>
CURRENT ASSETS			
Stocks	13	13,640	11,442
Debtors	14	37,993	26,651
Cash at bank		1,405	-
		<u>53,038</u>	<u>38,093</u>
CREDITORS			
Amounts falling due within one year	15	(29,162)	(27,647)
NET CURRENT ASSETS		<u>23,876</u>	<u>10,446</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>41,401</u>	<u>28,722</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred Taxation	16	(1,222)	(1,397)
NET ASSETS		<u>40,179</u>	<u>27,325</u>
CAPITAL AND RESERVES			
Called up equity share capital	18	15	15
Profit and loss account	19	40,164	27,310
SHAREHOLDER'S FUNDS	20	<u>40,179</u>	<u>27,325</u>

The notes to the financial statements are set out on pages 11-22

These financial statements were approved by the board of directors and authorised for issue on 29 March 2018 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 16 September 2017

	Share capital	Profit and loss reserve	Hedging reserve	Share based payment reserve	Total Equity
	£000's	£000's	£000's	£000's	£000's
As at 12 September 2015	15	22,993	(266)	357	23,099
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)
As at 17 September 2016	15	25,252	1,537	521	27,325
Profit for the financial period	-	14,482	-	-	14,482
Movement in hedging reserve	-	-	(2,018)	-	(2,018)
Tax in reserve from hedging	-	-	343	-	343
Movement in share based payment reserve	-	-	-	47	47
As at 16 September 2017	15	39,734	(138)	568	40,179

AB World Foods Limited

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 16 September 2017

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

The financial statements of AB World Foods Limited (the “Company”) for the 52 weeks ended 16 September 2017 were authorised for issue by the board of directors on 29 March 2018 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

The financial statements have been prepared under 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 has been notified of and did not object to the use of the EU-adopted IFRS disclosure exemptions.

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 16 September 2017

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

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.

INTANGIBLE FIXED ASSETS - SOFTWARE

Consistent with IAS 38, software costs are classified as an intangible fixed asset, unless they are an integral part of the related hardware in which case they are classified as a tangible fixed asset.

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 16 September 2017

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 16 September 2017

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:

	52 weeks ended 16 September 2017 £000's	53 weeks ended 17 September 2016 £000's
United Kingdom	110,724	112,484
Other EU countries	12,995	12,054
USA and Canada	11,910	9,370
Australasia	7,233	5,764
Rest of the world	4,033	4,607
	<u>146,895</u>	<u>144,279</u>

4. OPERATING PROFIT

Operating profit is stated after charging

	52 weeks ended 16 September 2017 £000's	53 weeks ended 17 September 2016 £000's
Depreciation of owned fixed assets	1,900	1,915
Amortisation of intangible assets	176	192
Auditor's remuneration paid to external auditor and its affiliates		
- for audit services	80	86
- for other services	-	33
Operating lease costs:		
Land and buildings	330	330
Other assets	633	648
Loss on disposal of tangible fixed asset	102	10
Net gain on foreign currency translation	(5)	(161)

Auditor's remuneration was paid to Ernst & Young LLP in both the current and prior period.

AB World Foods Limited

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 16 September 2017

5. PARTICULARS OF EMPLOYEES

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

	52 weeks ended 16 September 2017 No.	53 weeks ended 17 September 2016 No.
Production staff	192	200
Office and management staff	186	191
Research and development staff	8	6
	<u>386</u>	<u>397</u>

The aggregate payroll costs of the above were:

	52 weeks ended 16 September 2017 £000's	53 weeks ended 17 September 2016 £000's
Wages and salaries	15,803	17,332
Social security costs	1,769	1,850
Other pension costs	1,175	1,189
	<u>18,747</u>	<u>20,371</u>

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 previous triennial funding valuation of the Scheme was carried out as at 5 April 2014, using the current unit method, and revealed a surplus of £79m. The market value of Scheme assets was £3,085m, representing 103% of members' accrued benefits after allowing for expected future salary increases. The most recent triennial funding valuation of the Scheme was carried out as at 5 April 2017, was agreed by the trustees after the group's year end revealed a surplus of £176m. 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. The company makes payments to Associated British Foods plc based on the pensionable remuneration of its employees. Total payments in the financial period were £127k (2016: £165k).

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for the period ended 16 September 2017

5. DIRECTORS' EMOLUMENTS

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

	52 weeks ended 16 September 2017 £000's	53 weeks ended 17 September 2016 £000's
Emoluments receivable	976	738
	<u>976</u>	<u>738</u>
Emoluments of highest paid director:		
	52 weeks ended 16 September 2017 £000's	53 weeks ended 17 September 2016 £000's
Total emoluments (excluding pension contributions)	492	367
	<u>492</u>	<u>367</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 £47,571 (2016: £164,001).

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

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	52 weeks ended 16 September 2017 £000's	53 weeks ended 17 September 2016 £000's
Dividends received from investments	-	15
	<u>-</u>	<u>15</u>

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for the period ended 16 September 2017

7. INTEREST PAYABLE AND SIMILAR CHARGES

	52 weeks ended 16 September 2017 £000's	53 weeks ended 17 September 2016 £000's
Interest payable on intercompany loans	7	107
Interest payable on bank overdrafts	19	20
	<u>26</u>	<u>127</u>

8. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the period

	52 weeks ended 16 September 2017 £000's	53 weeks ended 17 September 2016 £000's
Current tax:		
Current tax on income for the period	3,663	3,615
Adjustments in respect of prior periods	(26)	46
Total current tax	<u>3,637</u>	<u>3,661</u>
Deferred tax:		
Origination/reversal of timing differences	(63)	(56)
Effect of change in tax rate	8	(203)
Adjustment in respect of previous years	223	(78)
Total deferred tax (note 16)	<u>168</u>	<u>(337)</u>
Tax on profit on ordinary activities	<u>3,805</u>	<u>3,324</u>

AB World Foods Limited

NOTES TO THE FINANCIAL STATEMENTS

for the period ended 16 September 2017

8. TAXATION ON ORDINARY ACTIVITIES (CONTINUED)

(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 19.54% (2016: 20.00%). The differences are explained below.

	52 weeks ended 16 September 2017 £000's	53 weeks ended 17 September 2016 £000's
Profit on ordinary activities before taxation	18,287	17,583
Current tax on profit on ordinary activities at 19.54% (2016: 20.00%)	3,573	3,516
Expenses not deductible for tax purposes	27	43
Adjustments to tax charge in respect of previous periods	197	(32)
Effect of rate change	8	(203)
Total tax charge	3,805	3,324

(c) Factors affecting future tax charge

The UK corporation tax rate was reduced from 20% to 19% with effect from 1 April 2017, with a further reduction to 17% effective 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 17 September 2016	6,480	887	29,229	1,639	38,235
Additions	-	-	1,176	152	1,328
Disposals	-	-	(873)	-	(873)
At 16 September 2017	6,480	887	29,532	1,791	38,690
<u>Depreciation</u>					
At 17 September 2016	1,889	494	17,153	898	20,434
Charge for the period	76	55	1,646	123	1,900
Disposals	-	-	(771)	-	(771)
At 16 September 2017	1,965	549	18,028	1,021	21,563
<u>Net Book Value</u>					
At 17 September 2016	4,591	393	12,076	741	17,801
At 16 September 2017	4,515	338	11,504	770	17,127

AB World Foods Limited

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for the period ended 16 September 2017

10. INTANGIBLE ASSETS

	Computer Software £000's
<u>Cost</u>	
At 17 September 2016	1,563
Additions	99
At 16 September 2017	1,662
<u>Amortisation</u>	
At 17 September 2016	1,088
Charge for the period	176
At 16 September 2017	1,264
<u>Net Book Value</u>	
At 17 September 2016	475
At 16 September 2017	398

11. INVESTMENTS

	Subsidiary Undertakings £000's
<u>Cost</u>	
At 17 September 2016	3,099
At 16 September 2017	3,099
<u>Provision for Impairment</u>	
At 17 September 2016	3,099
At 16 September 2017	3,099
<u>Net Book Value</u>	
At 17 September 2016	0
At 16 September 2017	0

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

Company Name	Country of incorporation	Principal activity	Class of shares	Shares held %
<u>Subsidiary Undertakings</u>				
Patak's Breads Limited ^{Note 1}	England & Wales	Dormant company	Ordinary	100
Patak's Frozen Foods Limited ^{Note 2}	Scotland	Non trading company	Ordinary	100
Korway Holdings Limited ^{Note 2}	Scotland	Dormant intermediate holding company	Ordinary	100
Patak's Chilled Foods Limited ^{Note 2}	Scotland	Non trading company	Ordinary	100
Korway Foods Limited ^{Note 2}	Scotland	Non trading company	Ordinary	100

^{Note 1} Registered office address is Weston Centre, 10 Grosvenor Street, London, W1K 4QY

^{Note 2} Registered office address is Miller Samuel LLP, RWF House, 5 Renfield Street, Glasgow, G2 5EZ

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NOTES TO THE FINANCIAL STATEMENTS

for the period ended 16 September 2017

12. OTHER INVESTMENTS

LRE Limited ^{Note 3}	England & Wales	Holding Company	Ordinary	3
Caribbean Sunshine Holdings Limited ^{Note 4}	Malta	Holding Company	Ordinary	3

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

^{Note 3} Registered office address is 125 Wood Street, London EC2Y 7AW

^{Note 4} Registered office address is 168 St. Christopher Street, Valletta, Malta

13. STOCKS

	52 weeks ended 16 September 2017 £000's	53 weeks ended 17 September 2016 £000's
Packaging materials	441	390
Raw materials	2,202	2,358
Work in progress	190	228
Finished goods	10,807	8,466
	<u>13,640</u>	<u>11,442</u>

14. DEBTORS

	52 weeks ended 16 September 2017 £000's	53 weeks ended 17 September 2016 £000's
Trade debtors	20,958	18,695
Amounts owed from group undertakings	13,775	2,845
Other debtors	877	1,184
Derivative receivable	463	2,317
Prepayments	1,920	1,610
	<u>37,993</u>	<u>26,651</u>

15. CREDITORS: Amounts falling due within one year

	52 weeks ended 16 September 2017 £000's	53 weeks ended 17 September 2016 £000's
Trade creditors	6,330	7,331
Amounts owed to group undertakings	3,583	6,086
Amounts owed to group undertakings in respect of corporation tax	5,208	1,629
Derivative payable	521	501
Overdraft	-	60
Accruals and deferred income	13,520	12,040
	<u>29,162</u>	<u>27,647</u>

Amounts owed to group undertakings are presented with intercompany loans received from other entities within the

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for the period ended 16 September 2017

ABF Group, which bear interest of LIBOR plus 0.25% and reviewed every six months.

16. DEFERRED TAXATION

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

	52 weeks ended 16 September 2017 £000's	53 weeks ended 17 September 2016 £000's
Balance brought forward	1,397	1,353
Credit/(charge) to the profit and loss account (note 8)	168	(337)
Tax associated with hedging reserve	(343)	381
Balance carried forward	<u>1,222</u>	<u>1,397</u>

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

	52 weeks ended 16 September 2017 £000's	53 weeks ended 17 September 2016 £000's
Deferred tax on hedging reserve	(28)	315
Excess of capital allowances over depreciation on fixed assets	<u>1,250</u>	<u>1,082</u>

17. FINANCIAL COMMITMENTS

The company had capital commitments at 16 September 2017 of £475,000 (2016: £274,000).

Commitments under non-cancellable operating leases are as follows:

	As at 16 September 2017		As at 17 September 2016	
Expiry date	Land and Buildings £000's	Other £000's	Land and Buildings £000's	Other £000's
- within one year	237	517	330	453
- between two and five years	-	737	1,319	706
- after five years	-	-	577	-
	<u>237</u>	<u>1,254</u>	<u>2,226</u>	<u>1,159</u>

18. CALLED UP EQUITY SHARE CAPITAL

	As at 16 September 2017 £000's	As at 17 September 2016 £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 16 September 2017

19. STATEMENT OF MOVEMENT ON RESERVES

	Profit and loss account £000's
At 17 September 2016	27,310
Profit for the financial period	14,482
Credit to equity for equity settled share-based payment	47
Movement in hedging reserve	(2,018)
Tax in reserves	343
At 16 September 2017	40,164

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	As at 16 September 2017 £000's	As at 17 September 2016 £000's
Profit for the financial period	14,482	14,259
Dividends paid	-	(12,000)
Credit to equity for equity settled share-based payment	47	164
Movement in hedging reserve	(2,018)	2,184
Tax in reserve	343	(381)
Opening shareholder's funds	27,325	23,099
Closing shareholder's funds	40,179	27,325

21. 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.