

Cereform Limited

Annual report and financial statements for the
52 week period ended 27 August 2016

Company number 00346958



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Strategic Report for the 52 week period ended 27 August 2016

The directors present their annual report and the audited financial statements for the 52 week period ended 27 August 2016.

Principal activities

The principal activity of the Company is the manufacture and sale of bakery ingredients.

Business review

Turnover of £75.6m decreased from the prior year by £4.5m, (5.7%). Gross profit for the year increased by 14%, as the business benefited by procurement savings and exit from lower margin business.

Administration and distribution costs were £9.5m combined, reduced by 3.6% (£0.4m). This was primarily driven by distribution costs impacted by lower oil prices.

Operating profit of £7.8m up by £2.4m on prior year reflecting the improved gross margin and reduced operating costs.

Net assets increased by £0.4m year on year attributable to the excess of retained profits above dividends declared.

The average number of employees decreased from 202 to 201.

The results for the period are set out on page 10.

During the year the company transitioned from UK GAAP to FRS 101 – *Reduced Disclosure Framework* and has taken advantage of the disclosure exemptions allowed under this standard. The Company's parent undertaking, ABF Holdings Limited, 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 FRS 101 are included in note 20 to these financial statements.

Principle risks and uncertainties

The principal uncertainties facing the Company are:

- Continued pressure on margins from cost reduction initiatives driven by the majority of Food Retailers;
- The impact of fluctuating exchange rates on purchases and sales denominated in foreign currencies; and
- The management of credit risk in a rapidly changing market with pressure on liquidity.

Financial risk management

The company's operations expose it to a variety of financial risks, which include price risk, credit risk, liquidity risk and foreign exchange risk. Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

Price risk

The company is exposed to price risk through the indirect impact of competitors' activities. The pricing of competitors is closely monitored and it is the policy of the company to ensure that the company's products and services are competitively priced, whilst reflecting the quality of the products and services supplied. The company is also subject to movements in commodity prices of raw materials. Such exposure is not currently managed by hedge arrangements, although the directors will revisit the appropriateness of this policy should the exposure change in size or nature.

Strategic Report for the 52 week period ended 27 August 2016 (continued)

Financial risk management (continued)

Credit risk

Credit risk is the risk customers will default on their obligation to make payment for the product or services supplied. The company has implemented policies that require appropriate credit checks on potential customers before sales are made. In some circumstances advance payments are required. Credit control procedures are implemented if customers exceed their agreed terms.

Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with its financial liabilities. The risk is mitigated as the company has access to inter group finance that is designed to ensure the company has sufficient available funds for operations and planned expansions.

Foreign exchange risk

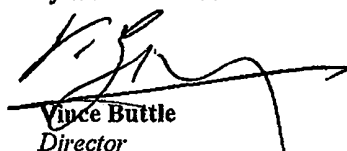
The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and Euro. Foreign exchange risk arises from commercial transactions.

Where there is a significant forecast net position in any foreign currency a proportion of that risk is covered by forward contract hedging arrangements, as appropriate.

Key performance indicators

	2016 - £,000	2015 - £,000
Revenue (continuing operations)	75,633	80,170
Operating profit	7,794	5,326
Profit for the financial year	6,312	4,293
Shareholder's Funds	9,767	9,242
Gross profit margin	23%	19%
Operating profit margin	10%	5%
Working capital - % 3rd Party Sales	1%	7%

By order of the board


Vince Buttle
Director
31 May 2017

Weston Centre
10 Grosvenor Street
London
England
W1K 4QY

Directors' Report for the 52 week period ended 27 August 2016

Dividends

The Directors recommended the payment of a dividend of £5,787,000 (*2015: £4,000,000*) which was paid during the period. No final dividend is proposed.

Research and Development

Cereform have a substantial new product development resource which focuses on the development of new recipes, and the use of new ingredients. The department supports field technical projects and works with our customers and other technical centres within the group.

Employees

Employees are a key resource and the Company is committed to offering equal opportunities to all in recruitment, training and career development. Full and fair consideration is given to applicants with disabilities. Health and safety are considered equal in importance to that of any function of the Company and its business objectives accentuated by additional resource placed in this area this financial year.

The Company will brief and consult employees on all relevant matters on a regular basis in order to understand their views and to achieve an awareness of the financial and economic factors affecting the performance of the Company.

Directors

The Directors, who held office during the period, and since the end of the period, were:

A M Pollard	
I S Smith	
P Senge	(resigned 09 October 2015)
S Londal	(resigned 30 November 2015)
C Simmonds	(resigned 26 June 2016)
M Devenuto	(appointed 01 December 2015)
V G Buttle	(appointed 28 June 2016)

Secretary

R Schofield

United Kingdom charitable and political contributions

There were charitable donations of £7,000 (*2015: £1,000*) paid during the period. There were no political contributions paid (*2015: Nil*).

Creditor payment policy

It is the Company's policy to agree terms of business with suppliers prior to the supply of goods and services. In the absence of any dispute, the Company pays in accordance with these terms. At the period end there were 93 days (*2015: 83 days*) purchases in trade creditors.

Health and Safety

The Company aims for its employees to Stay Accident Free Everyday (SAFE). The Company encourages its people to enjoy their work and to carry it out in a safe and comfortable environment and minimise the environmental impact of their business activities. Cereform provides leadership, policies, training and guidance on what is expected to ensure that its aims are met, wherever people work and whatever their position in the organisation.

Cereform encourages its people to help monitor the effectiveness of its approach by drawing attention to any failings or weaknesses in systems or procedures so that together they can continually improve performance. The Company believe that success in its health, safety and environmental performance is reliant on an effective partnership approach.

Directors' Report for the 52 week period ended 27 August 2016 (continued)

Each site has a representative committee able to address health, safety and environmental issues at the local level and ensure ongoing legal compliance. We encourage everyone to be proactively involved in their own and others' health and safety.

Going Concern

The Company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and derivative activities and its exposure to price are described in the strategic report on pages 3-4.

The Company has considerable financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that Cereform is well placed to manage its business risks successfully despite the current uncertain economic outlook.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

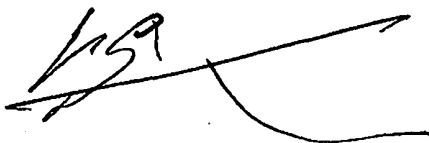
Disclosure of information to auditors

The Directors who held office at the date of approval of this Director's report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Ernst & Young LLP were appointed by the board of directors effective from 31 May 2017 as the Company's auditor for the financial year ended 27 August 2017 in terms of Section 487 of the Companies Act 2006.

By order of the board



V Buttle
Director

Weston Centre
10 Grosvenor Street
London
W1K 4QY

Date: 31 May 2017

Statement of Directors' responsibilities in respect of the Strategic Report, the Directors' Report and the Financial Statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 CEREFORM LIMITED

We have audited the financial statements of Cereform Limited for the year ended 27 August 2016 which comprise of the Income statement, Statement of comprehensive income, Balance sheet, the Statement of changes in equity and the related notes 1 to 20. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice including FRS 101 "Reduced Disclosure Framework").

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 7, 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 Annual Report and Financial Statements 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 financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 27 August 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting including FRS101 "Reduced Disclosure Framework" and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report to the members of Cereform Limited *(continued)*

Opinion on other matter prescribed by the Companies Act 2006

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

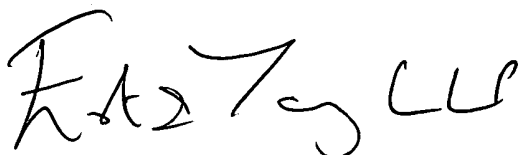
- ▶ the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- ▶ the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements;

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- ▶ the parent company 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.



Fraser Bull (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP Statutory Auditor

31 May 2017

Income Statement for the 52 week period ended 27 August 2016

	<i>Note</i>	52 week period ended 27 August 2016 £'000	52 week period ended 29 August 2015 £'000
Turnover	3	75,633	80,170
Cost of sales	<i>12</i>	(58,354)	(65,001)
Gross profit		17,279	15,169
Distribution costs		(3,634)	(3,864)
Administration expenses		(5,851)	(5,979)
Operating profit		7,794	5,326
Other interest expense	7	(20)	(33)
Profit on ordinary activities before taxation	4	7,774	5,293
Tax on profit on ordinary activities	8	(1,462)	(1,000)
Profit for the financial period		6,312	4,293

All revenue and operating profit is derived from continuing activities. The notes on pages 14 to 26 form part of these financial statements

Statement of comprehensive income
for the 52 weeks ended 27 August 2016

	52 weeks ended 27 August 2016	52 weeks ended 27 August 2015
	£000	£000
Profit for the financial period	6,312	4,293
Other comprehensive Income	-	-
Total comprehensive income for the year attributable to equity shareholders	6,312	4,293

Statement of changes in equity
for the year ended 27 August 2016

	Share Capital (Note 16)	Retained Earnings	Total Equity
	£'000	£'000	£'000
At 30 August 2014	100	8,849	8,949
Total comprehensive income for the year	-	4,293	4,293
Equity dividends paid (Note 9)	-	(4,000)	(4,000)
At 29 August 2015	100	9,142	9,242
Total comprehensive income for the year	-	6,312	6,312
Equity dividends paid (Note 9)	-	(5,787)	(5,787)
At 27 August 2016	100	9,667	9,767

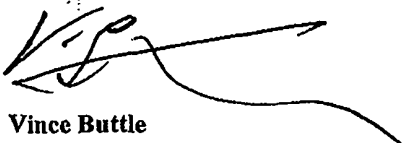
Balance sheet
at 27 August 2016

Registered No: 00346958

	Notes	27 August 2016		29 August 2015	
		£'000	£'000	£'000	£'000
Fixed Assets					
Investments	10		1,892		1,892
Tangible assets	11		8,016		8,311
			<hr/>		<hr/>
			9,908		10,203
Current assets					
Stocks	12	4,652		4,798	
Debtors	13	12,776		11,730	
Cash at bank and in hand		84		160	
		<hr/>		<hr/>	
		17,512		16,688	
Creditors: amounts falling due within one year	14	(17,221)		(17,261)	
		<hr/>		<hr/>	
Net current asset/(liabilities)			291		(573)
			<hr/>		<hr/>
Total assets less current liabilities			10,199		9,630
Provisions for liabilities and charges	15	(432)		(388)	
		<hr/>		<hr/>	
Net assets			9,767		9,242
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	16		100		100
Retained Earnings	17		9,667		9,142
			<hr/>		<hr/>
Shareholders' funds	18		9,767		9,242
			<hr/>		<hr/>

Notes on pages 14 to 26 form part of the financial statements.

These financial statements were approved by the board of Directors on and were signed on its behalf by:


Vince Buttle
Director

31st May '17

Notes to the Financial Statements for the 52 week period ended 27 August 2016

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

The financial statements of Cereform Limited for the 52 weeks ended 27 August 2016 were authorised for issue by the board of directors on 31 May 2017 and the balance sheet was signed on the board's behalf by Vince Buttle. Cereform Limited is incorporated and domiciled in England and Wales.

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

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

2 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements.

Basis of preparation

The financial statements of Cereform Limited have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below.

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 Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Associated British Foods plc.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1; and
 - (ii) paragraph 73(e) of IAS 16 Property, plant and equipment.
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), (statement of cash flows);
 - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
 - 16 (statement of compliance with all IFRS);
 - 38A (requirement for minimum of two primary statements, including cash flow statements);
 - 38B-D (additional comparative information);
 - 40A-D (requirements for a third statement of financial position);
 - 111 (cash flow statement information); and
 - 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows';

Notes to the Financial Statements for the 52 week period ended 27 August 2016

Accounting policies (Continued)

- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation); and
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.
- The requirements of IFRS 7 'Financial Instruments: Disclosures'.
- The requirements of paragraphs 91-99 of IFRS13, 'Fair Value Measurement'.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of a cash flow statement, presentation of comparative information in respect of certain assets, standards not yet effective, impairment of assets, business combinations, discontinued operations and related party transactions.

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review section of the Strategic Report. The Company is expected to continue to generate positive cash flows for the foreseeable future.

The Directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Company to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of their assessment of the Company's financial position, the Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future. The Directors therefore believe that it remains appropriate to prepare the financial statements on a going concern basis.

Turnover

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Company recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Company; and when specific criteria have been met for each of the Company's activities, as described below. The Company's bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the period. Revenue on the sale of goods is recognised at the point of delivery. Revenue on provision of technical services is recognised at point of delivery.

Investments

Investments in subsidiary undertakings, associates and joint ventures are stated at cost less amounts written off.

Fixed assets and depreciation

Depreciation, calculated on cost, is provided on a straight line basis over the expected useful economic life of the asset as follows:

Freehold buildings	-	50 years
Plant, machinery, fixtures and fittings	-	2 - 12 years
Vehicles	-	3 years

Notes to the Financial Statements for the 52 week period ended 27 August 2016

2 Accounting policies (continued)

No depreciation is provided on freehold land.

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Leases

Operating lease rentals are charged to the income statement account on a straight line basis over the period of the lease.

Foreign currencies

Transactions denominated in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the income statement account.

Research and development

Expenditure in respect of research and development is written off in the period in which it is incurred. This amounted to £1,239,000 (2015: £1,162,000).

Stocks

Stocks are valued at the lower of cost and net realisable value after making due provision against obsolete and slow-moving items and a first in first out basis. In the case of finished goods manufactured by the Company, the term 'cost' includes ingredients, direct production labour and an appropriate proportion of attributable production overheads and is a weighted average cost.

Taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; or arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Notes to the Financial Statements for the 52 week period ended 27 August 2016

Accounting policies (continued)

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted, or substantively enacted at the balance sheet date.

Group relief

It is the policy of the group to which the Company belongs, to charge for tax losses surrendered by way of group relief at a rate of UK corporation tax enacted at the date the companies' profits were earned.

Pension costs

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the income statement account represents the contributions payable to the scheme in respect of the accounting period.

The Company is also a member of the Associated British Foods plc pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company. As the Company is unable to identify its share of the scheme's assets and liabilities on a consistent and reasonable basis, as permitted by FRS 101, the scheme has been accounted for as if it were a defined contribution scheme. The pension charge for the period represents the contributions payable by the Company to the scheme.

Financial instruments

Initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in administration expense. Loans and receivable are derecognized when repaid.

This category generally applies to debtors and cash at bank and in hand.

b) Financial liabilities carried at amortized cost

All financial liabilities are recognised initially at fair value net of directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category applies to creditors.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss.

The Company uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency contracts is recognised in finance costs and the ineffective portion relating to commodity contracts is recognised in other operating **income or expenses**.

Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

Judgements and key sources of estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that effect the amount reported for assets, liabilities, revenues and expenses. However, the nature of estimation means that the actual outcomes may differ from the estimates. The key judgement and uncertainty arises from:

- Impairment of stock – the company holds significant levels of stock. Management makes judgements about the net realisable value of stock, thereby identifying the need for an impairment provision.
- Bad debt provision – management make judgements about the recoverability of debtors and provide according for any specific bad debts based on the probability of the customers' ability to pay using past history and specific industry credit reports.
- Rebates – the Company provides for rebates based on signed negotiated commercial terms with customers. Management are required to estimate the liability based on these terms

Notes to the Financial Statements for the 52 week period ended 27 August 2016

3 Segmental information

The table below sets out turnover for each of the Company's geographic areas of operation:

	52 week period ended 27 August 2016 £'000	52 week period ended 29 August 2015 £'000
UK	68,288	71,824
Rest of Europe	6,300	6,891
Rest of World	1,045	1,455
	<hr/> 75,633 <hr/>	<hr/> 80,170 <hr/>

In the opinion of the Directors, the Company operates in only one business segment, being the manufacture and sale of food products.

4 Profit on ordinary activities before taxation

	52 week period ended 27 August 2016 £'000	52 week period ended 29 August 2015 £'000
<i>Profit on ordinary activities is stated after charging/(crediting):</i>		
Depreciation and other amounts written off fixed tangible assets:		
- Owned	1,445	1,374
Rentals payable under operating leases		
- hire of plant and machinery	104	99
- other leases	339	357
Research & development expenditure	1,239	1,162
Net foreign exchange loss / (gain)	(275)	196
	<hr/>	<hr/>
Amounts receivable by the auditors and their associates in respect of:		
- the audit of these financial statements	37	32
	<hr/>	<hr/>

5 Directors and employees

The average number of persons employed by the Company (excluding Directors) during the period was:

	52 week period ended 27 August 2016	52 week period ended 29 August 2015
Direct	87	91
Administrative	114	111
	<hr/>	<hr/>
Average number of employees	201	202
	<hr/> <hr/>	<hr/> <hr/>

The aggregate staff costs of these persons were as follows:

	£'000	£'000
Wages and salaries	7,845	7,607
Social security costs	819	767
Other pension costs	1,040	1,082
	<hr/>	<hr/>
	9,704	9,456
	<hr/> <hr/>	<hr/> <hr/>

In the current and prior periods two Directors were remunerated for their services to the Company.

The remaining Directors who held office during the current and prior periods are employed and remunerated by other companies within the ABF group. None of their remuneration was deemed to be directly for their services to Cereform Limited.

	£'000	£'000
<i>Directors' emoluments</i>		
Remuneration	219	307
Pension contributions	39	48
	<hr/>	<hr/>
	258	355
	<hr/> <hr/>	<hr/> <hr/>

During the current and prior periods two of the Directors participated in a defined benefit pension scheme.

The aggregate of emoluments and amounts receivable under long term incentive schemes of the highest paid Director was £238,707 (2015: £214,202), and Company pension contributions of £36,354 (2015: £37,565) were made to a defined benefit scheme, under which his accrued pension at the year-end was £34,445 (2015: £31,139).

Notes (continued)

6 Pensions

The parent group's final salary pension costs are assessed in accordance with the advice of a qualified actuary on the basis of final pensionable earnings. Particulars of the last actuarial valuation of the scheme are contained in the financial statements of Associated British Foods plc.

The Company is a member of the Associated British Foods plc pension scheme providing benefits based on final pensionable pay. Because the Company is unable to identify its share of the scheme's assets and liabilities on a consistent and reasonable basis, as permitted by FRS 101 the scheme has been accounted for by the Company as if the scheme is a defined contribution scheme. The pension charge for the period represents the contributions payable by the Company to the scheme and amounted to £568,000 (2015: £613,000).

On 30 September 2002 the scheme was closed to new members, with defined contribution arrangements introduced for new members. For the defined contribution scheme, the pension costs are the contributions payable by the Company to the scheme and amounted to £367,000 (2015: £367,000).

The last actuarial valuation of the Associated British Foods Pension Scheme was carried out as at 5 April 2014. At the valuation date the total market value of the assets of the schemes was £3,085m.

Full IAS 19 disclosures can be found within 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. The consolidated accounts of Associated British Foods plc are also available for download on the group's website at www.abf.co.uk

Pension costs prepaid at the period end were £nil (2015: £nil).

7 Other Interest expense

	52 week period ended 27 August 2016 £'000	52 week period ended 29 August 2015 £'000
Interest Expense to group undertakings	(20)	(33)

Notes (continued)

8 Taxation

(a) Analysis of charge in period:	52 week period ended 27 August 2016 £'000	52 week period ended 29 August 2015 £'000
<i>UK corporation tax</i>		
Current tax on income for the period	1,251	1,065
Prior period adjustments	249	(50)
	<hr/>	<hr/>
Total current tax	1,500	1,015
<i>Deferred tax (see note 15)</i>		
Origination/reversal of timing differences	(38)	(15)
	<hr/>	<hr/>
Tax on profit on ordinary activities	1,462	1,000
	<hr/>	<hr/>

(b) Factors affecting the tax charge for the current period

The current tax charge for the period is different from the standard rate of corporation tax in the UK of 20% (2015: 20.1%). The differences are explained below:

	52 week period ended 27 August 2016 £'000	52 week period ended 29 August 2015 £'000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	7,774	5,293
	<hr/>	<hr/>
Current tax at 20% (2015: 20.1%)	1,555	1,064
<i>Effects of:</i>		
Adjustments in respect of prior periods	249	(50)
Other timing differences	(53)	(15)
Depreciation for period in excess of capital allowances	(289)	1
	<hr/>	<hr/>
Total current tax charge (see above)	1,462	1,000
	<hr/>	<hr/>

(c) Factors affecting the tax charge for the current period

A change to the UK corporation tax rate was announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. This change was substantively enacted on 15th September 2016. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017.

Notes (continued)

9 Dividends

	52 week period ended 27 August 2016 £'000	52 week period ended 29 August 2015 £'000
Dividends paid in the financial period:		
Dividend on 'A' and 'B' ordinary shares £57.87 per Share (2015: £40 per Share)	5,787	4,000

10 Investments

	Shares in group undertakings £'000	Total £'000
Cost		
At beginning of year	1,892	1,892
Additions	-	-
At end of year	1,892	1,892

The investment represents the purchase of shares in GB Plange UK limited in which the company has a 100% shareholding.

11 Tangible fixed assets

	Land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Assets in the course of construction £'000	Total £'000
Cost					
At beginning of period	2,117	28,588	1,732	807	33,244
Additions	-	-	-	1,212	1,212
Disposals	-	(341)	(12)	-	(353)
Transfers	-	1,269	108	(1,377)	-
At end of period	2,117	29,516	1,828	642	34,103
Depreciation					
At beginning of period	852	22,548	1,533	-	24,933
Charge for the period	38	1,333	74	-	1,445
On disposals	-	(279)	(12)	-	(291)
At end of period	890	23,602	1,595	-	26,087
Net book value					
At 27 August 2016	1,227	5,914	233	642	8,016
At 29 August 2015	1,265	6,040	199	807	8,311

11 Tangible fixed assets (continued)

The gross book value of land and buildings includes £235,000 (2015: £235,000) of non-depreciable assets. These are all owned freehold.

12 Stocks

	27 August 2016 £'000	29 August 2015 £'000
Raw materials and consumables	2,115	2,036
Finished goods and goods for resale	2,537	2,762
	<u>4,652</u>	<u>4,798</u>

Stocks are carried at cost as cost is lower than the net realizable value of the stocks, no write-down of stocks as of 2016 and 2015. Stock is stated after provisions for impairment of £674,963 (2015: £483,425).

During the year, £58.4m (2015: £65m) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales.

13 Debtors

	27 August 2016 £'000	29 August 2015 £'000
Trade debtors	8,466	7,316
Amounts owed by group undertakings	3,073	3,631
Other debtors	291	23
Prepayments and accrued income	767	760
Derivative assets	179	-
	<u>12,776</u>	<u>11,730</u>

Trade debtors is stated after bad debt allowances of £444,461 (2015: £611,428). The amounts owed by other group undertakings are unsecured, non-interest bearing and have no fixed repayment date.

14 Creditors: amounts falling due within one year

	27 August 2016 £'000	29 August 2015 £'000
Trade creditors	7,099	8,423
Amounts owed to group undertakings	5,974	4,560
Other tax and social security	235	211
Accruals and deferred income	3,844	4,067
Other creditors	69	-
	<u>17,221</u>	<u>17,261</u>

The amounts owed by other group undertakings are unsecured, non-interest bearing and have no fixed repayment date.

15 Provisions for liabilities and charges

	Restructuring	Deferred taxation	Total
	£'000	£'000	£'000
At beginning of the period	-	388	388
Debit/(Credited) to the income statement for the period	82	(38)	44
	<u>82</u>	<u>(38)</u>	<u>44</u>
At end of the period	<u>82</u>	<u>350</u>	<u>432</u>

Nil). A provision for identified costs associated with restructuring of £82,000 was provided for at the end of 2016 (2015:

The elements of deferred taxation are as follows:

	27 August 2016	29 August 2015
	£'000	£'000
Difference between accumulated depreciation and capital allowances	<u>350</u>	<u>388</u>

16 Called up share capital

	27 August 2016		29 August 2015	
	Number	£'000	Number	£'000
<i>Allotted, called up and fully paid</i>				
"A" Ordinary shares of £1 each	75,000	75	75,000	75
"B" Ordinary shares of £1 each	25,000	25	25,000	25
	<hr/>	<hr/>	<hr/>	<hr/>
	100,000	100	100,000	100

The 'A' and 'B' shares have the same rights to dividends, to any surplus on winding up and have one vote per share.

17 Contingent liabilities

There were no contingent liabilities as at 27 August 2016 (2015:£nil).

18 Commitments

There were capital commitments as at 27 August 2016 of £221,000 (2015: £81,000).

Annual commitments under non-cancellable operating leases are as follows:

	27 August 2016		29 August 2015	
	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Operating leases which expire:				
Within one year	343	86	357	99
In the second to fifth years inclusive	1,437	249	1,259	203
Over five years	282	9	739	-
	<hr/>	<hr/>	<hr/>	<hr/>
	2,062	344	2,355	302
	<hr/>	<hr/>	<hr/>	<hr/>

19 Ultimate parent Company and parent undertaking of largest group of which the Company is a member

The ultimate parent Company and controlling party, is Wittington Investments Limited which is incorporated in Great Britain and registered in England and Wales.

The largest group in which the results of the Company are consolidated is 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.

Copies of the group accounts of Associated British Foods plc are available from Weston Centre, 10 Grosvenor Street, London W1K 4QY.

20 FRS101 conversion

This is the first year that the Company has presented its results under FRS 101. The last financial statements prepared under the previous UK GAAP were for the year ended 28 August 2015. The date of transition to FRS 101 was 29 August 2014. The transition had no impact on the profit for the financial year ended 28 August 2015 and the total equity as at 29 August 2014 and 28 August 2015, hence no reconciliation between UK GAAP as previously reported and FRS 101 is presented.