

# Cereform Limited

Directors' report and financial  
statements

Registered number 00346958

52 week period ended 27 August 2011

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## Directors' report

The directors present their annual report and the audited financial statements for the 52 week period ended 27 August 2011

### Principal activities

The principal activity of the company is the manufacture and sale of food products

### Business review and future developments

The results for the period are set out on page 6

Turnover of £74m was an improvement on last year's performance despite a reduction in sales volume of 2.5%. Gross Profit for the year fell by 1.3%. Administration and Distribution costs combined increased by 1.2%. Operating profit of £2.4m ended £0.3m lower than last year.

The average number of employees decreased from 174 to 173

During the period the main activities of the company remained unchanged and the Directors anticipate that any future developments would continue to be related to the manufacture and sale of food products.

The proactive management of working capital continues to be a key focus and the Company has made good progress in the past year.

### Key Risks

The key risks facing the company are

- Pressure on margins with increasing volatility of raw material costs
- Pressure on production capacity, we continue to invest in new production capacity and it will be crucial that we deliver these projects on time and utilise the additional capacity efficiently
- Customer retention
- The management and monitoring of customer's credit risk in a rapidly changing market with pressure on liquidity

### Key Performance Indicators

In managing the business the company employs a number of key performance indicators that measure sales and major cost categories including utilities, against budgets and targets.

### Dividends

The directors recommended the payment of a dividend of £5,200,000 (2010 £2,350,000) which was paid during the period.

### 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 support field technical projects and work with our customers and other Technical Centres within ABF.

### 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.

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 Report** *(continued)*

### **Directors**

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

M Turner  
I Smith  
C Simmonds  
J McKenna

### **Fixed assets**

Adequate depreciation has been provided in the financial statements. The directors are of the opinion that the market value of interests in land and buildings at the end of the period exceeded that amount included in the balance sheet.

### **United Kingdom charitable and political contributions**

The company has made no political contributions and no charitable donations during the period.

### **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 53 days (2010 40 days) purchases in trade creditors.

### **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**

Pursuant to section 487 of the Companies Act 2006 the auditors will be deemed to be reappointed and KPMG Audit Plc will therefore continue in office.

By order of the board



**R Schofield**  
*Company Secretary*

Weston Centre  
10 Grosvenor Street  
London  
W1K 4QY

## **Statement of directors' responsibilities in respect of the Directors Report and the financial statements**

The directors are responsible for preparing 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)

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.



## KPMG Audit Plc

Altius House  
One North Fourth Street  
Milton Keynes  
MK9 1NE  
United Kingdom

### **Independent auditors' report to the members of Cereform Limited**

We have audited the financial statements of Cereform Limited for the period ended 27 August 2011 set out on pages 6 to 18. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 3, 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 (APB's) Ethical Standards for Auditors.

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

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

#### **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 27th August 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

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

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

*B J. Stapleton*

**BJ Stapleton (Senior Statutory Auditor)**  
for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants  
Altius House  
1 North Fourth Street  
Milton Keynes  
MK9 1NE

Date *17 January 2012*

## Profit and loss account

*for the 52 week period ended 27 August 2011*

	<i>Note</i>	52 week period ended 27 August 2011 £'000	52 week period ended 28 August 2010 £ 000
<b>Turnover</b>	2	<b>74,039</b>	69 686
Cost of sales		<b>(61,840)</b>	(57 304)
<b>Gross profit</b>		<b>12,199</b>	12,382
Distribution costs		<b>(3,432)</b>	(3,950)
Administration expenses		<b>(6,344)</b>	(5 713)
<b>Operating profit</b>		<b>2,423</b>	2 719
Other interest receivable and similar income	6	<b>150</b>	101
<b>Profit on ordinary activities before taxation</b>	3-5	<b>2,573</b>	2 820
Tax on profit on ordinary activities	7	<b>(651)</b>	(908)
<b>Profit for the financial period</b>	16	<b>1,922</b>	1 912

A reconciliation of movements in shareholders' funds is given in note 17

There are no recognised gains and losses other than the profit for the financial period. Accordingly, no separate statement of total recognised gains and losses has been prepared.

The results stated above are all derived from continuing operations.

Notes on pages 8 to 18 form part of the financial statements.



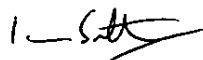
**Balance sheet**  
*at 27 August 2011*

*Registered No: 00346958*

	Notes	27 August 2011		28 August 2010	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Intangible assets	9		122		615
Tangible assets	10		7,630		7,330
			<u>7,752</u>		<u>7,945</u>
<b>Current assets</b>					
Stocks	11	4,331		7,042	
Debtors	12	22,570		21,149	
Cash at bank and in hand		371		50	
		<u>27,272</u>		<u>28,241</u>	
<b>Creditors: amounts falling due within one year</b>	13	<u>(12,276)</u>		<u>(10,081)</u>	
<b>Net current assets</b>			<u>14,996</u>		<u>18,160</u>
<b>Total assets less current liabilities</b>			<u>22,748</u>		<u>26,105</u>
Provisions for liabilities and charges	14		(456)		(535)
<b>Net assets</b>			<u><u>22,292</u></u>		<u><u>25,570</u></u>
<b>Capital and reserves</b>					
Called up share capital	15		100		100
Profit and loss account	16		22,192		25,470
<b>Shareholders' funds</b>	17		<u><u>22,292</u></u>		<u><u>25,570</u></u>

Notes on pages 8 to 18 form part of the financial statements

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



**I Smith**  
*Finance Director*

## Notes

*(forming part of the financial statements)*

### 1 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 have been prepared under UK GAAP using the historical cost convention and in accordance with applicable accounting standards

#### *Cash flow statement*

Under the provisions of Financial Reporting Standard 1 "Cash Flow Statements" (Revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking of Associated British Foods plc, which is incorporated in England and has prepared consolidated financial statements which include the financial statements of the company for the year and which contain an appropriate statement of cash flows of the group

#### *Related party transactions*

The company being a wholly owned subsidiary of Associated British Foods plc, takes advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the group. There are no other related party transactions. The consolidated financial statements of Associated British Foods plc, within which this company is included, can be obtained from the address given in note 20

#### *Turnover*

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 despatch

#### *Goodwill*

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life being ten years

#### *Fixed assets and depreciation*

Depreciation, calculated on cost, is provided on a straight line basis over the anticipated life of the asset as follows

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

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

## Notes (continued)

### 1 Accounting policies (continued)

#### *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 profit and loss 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 £571,000 (2010 £542,000).

#### *Stocks*

Stocks are valued at the lower of cost and net realisable value after making due provision against obsolete and slow-moving items. 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.

#### *Taxation*

The charge for taxation is based on the profit or loss for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Provision is made for deferred taxation in accordance with Financial Reporting Standard 19.

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 have occurred at that date that will result in an obligation to pay more, or a right to pay less, or to receive more tax.

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 profit and loss 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. 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 17, 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.

**Notes (continued)**

**2 Segmental information**

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

	52 week period ended 27 August 2011 £'000	52 week period ended 28 August 2010 £'000
UK	66,417	61,824
Rest of Europe	6,228	6,548
Rest of World	1,394	1,314
	<u>74,039</u>	<u>69,686</u>

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

**3 Profit on ordinary activities before taxation**

	52 week period ended 27 August 2011 £'000	52 week period ended 28 August 2010 £'000
<i>Profit on ordinary activities is stated after charging/(crediting):</i>		
Depreciation and other amounts written off fixed tangible assets		
- owned	1,213	1,243
Amortisation of goodwill	493	493
Rentals payable under operating leases		
- hire of plant and machinery	132	117
- other leases	39	32
Loss / (profit) on disposal of fixed assets	15	(22)
Canteen Buy Out	-	(76)
Redundancy	16	(53)
Net foreign exchange loss	23	7
	<u>          </u>	<u>          </u>
Amounts receivable by the auditors and their associates in respect of		
- the audit of these financial statements	32	29
	<u>          </u>	<u>          </u>

## Notes (continued)

### 4 Directors and employees

The average number of persons employed by the company (excluding directors) during the period was

	52 week period ended 27 August 2011	52 week period ended 28 August 2010
Direct	79	81
Administrative	94	93
Average number of employees	173	174

The aggregate staff costs of these persons were as follows

	52 week period ended 27 August 2011 £'000	52 week period ended 28 August 2010 £ 000
Wages and salaries	5,807	5 485
Social security costs	548	528
Other pension costs	635	578
	6,990	6,591

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.

	52 week period ended 27 August 2011 £'000	52 week period ended 28 August 2010 £ 000
<i>Directors' emoluments</i>		
Remuneration	265	251
Pension contributions	35	31
	300	282

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 £172,930 (2010 £163,015), and Company pension contributions of £19,341 (2010 £16,938) were made to a defined benefit scheme, under which his accrued pension at the year end was £14,813 (2010 £12,665), and his accrued lump sum was £nil (2010 £57,508).

## Notes (continued)

### 5 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 17 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 £497,000 (2010 £464,000).

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 £115,000 (2010 £114,000).

The last actuarial valuation of the Associated British Foods Pension Scheme was carried out as at 5 April 2008. At the valuation date the total market value of the assets of the schemes was £2,223m and represented 93% of the benefits that had accrued to members after allowing for expected future increases in earnings.

Following completion of the actuarial valuation, the group agreed to make five annual payments of £30m in order to eliminate the deficit at 5 April 2008. The third of these payments was made in March 2011.

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](http://www.abf.co.uk).

Pension costs prepaid at the period end were £3,081 (2010 £3,138).

### 6 Other interest receivable and similar income

	52 week period ended 27 August 2011 £'000	52 week period ended 28 August 2010 £'000
Receivable from group undertakings	150	101

## Notes (continued)

### 7 Taxation

Analysis of charge in period	52 week period ended 27 August 2011 £'000	52 week period ended 28 August 2010 £'000
<i>UK corporation tax</i>		
Current tax on income for the period	730	988
Total current tax	730	988
<i>Deferred tax (see note 14)</i>		
Origination/reversal of timing differences	(79)	(80)
Tax on profit on ordinary activities	651	908

#### *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 27% (2010 28%). The differences are explained below

	52 week period ended 27 August 2011 £'000	52 week period ended 28 August 2010 £'000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	2,573	2,820
Current tax at 27% (2010 28%)	695	790
<i>Effects of</i>		
Expenses not deductible for tax purposes (primarily goodwill amortisation)	133	138
Depreciation for period (bellow)/in excess of capital allowances	(98)	60
Total current tax charge (see above)	730	988

**Notes (continued)**

**8 Dividends**

	52 week period ended 27 August 2011 £'000	52 week period ended 28 August 2010 £'000
<b>Dividends paid in the financial period</b>		
Dividend on A and B ordinary shares (£52 per Share)	5,200	2 350

**9 Intangible assets**

	<b>Goodwill £'000</b>
<i>Cost</i>	
At beginning and end of period	4 929
<i>Amortisation</i>	
At beginning of period	4,314
Charged in period	493
At end of period	4,807
<i>Net book value</i>	
At 27 August 2011	122
At 28 August 2010	615

The directors consider each acquisition separately for the purpose of determining the amortisation period of any goodwill that arises. The goodwill is being amortised over 10 years, which represents the expected useful economic life of the trade, assets and liabilities acquired.



## Notes (continued)

### 10 Tangible fixed assets

	Land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Assets in the course of construction £'000	Total £'000
<b>Cost</b>					
At beginning of period	2,117	22,667	1,418	685	26,887
Additions	-	8	-	1,532	1,540
Disposals	-	(89)	-	-	(89)
Transfers	-	2,091	-	(2,091)	-
At end of period	2,117	24,677	1,418	126	28,338
<b>Depreciation</b>					
At beginning of period	663	18,138	756	-	19,557
Charge for the period	37	1,001	175	-	1,213
On disposals	-	(62)	-	-	(62)
At end of period	700	19,077	931	-	20,708
<b>Net book value</b>					
At 27 August 2011	1,417	5,600	487	126	7,630
At 28 August 2010	1,454	4,529	662	685	7,330

The gross book value of land and buildings includes £235,000 (2010 £235,000) of non-depreciable assets. These are all owned freehold.

### 11 Stocks

	27 August 2011 £'000	28 August 2010 £'000
Raw materials and consumables	1,217	4,454
Finished goods and goods for resale	3,114	2,588
	<b>4,331</b>	<b>7,042</b>

There is no material difference between the replacement cost of stocks and their balance sheet amounts.

**Notes (continued)**

**12 Debtors**

	27 August 2011 £'000	28 August 2010 £'000
Trade debtors	8,604	7,656
Amounts owed by group undertakings	12,749	12,901
Other debtors	462	251
Prepayments and accrued income	755	341
	<u>22,570</u>	<u>21,149</u>

**13 Creditors: amounts falling due within one year**

	27 August 2011 £'000	28 August 2010 £'000
Trade creditors	7,539	6,453
Amounts owed to group undertakings	255	244
Other tax and social security	219	209
Accruals and deferred income	3,298	1,952
Corporation tax	965	1,223
	<u>12,276</u>	<u>10,081</u>

**14 Provisions for liabilities and charges**

	Deferred taxation £'000
At beginning of the period	535
Credit to the profit and loss for the period	(79)
	<u>456</u>
At end of the period	<u>456</u>

The elements of deferred taxation are as follows

	27 August 2011 £'000	28 August 2010 £'000
Difference between accumulated depreciation and capital allowances	456	535
	<u>456</u>	<u>535</u>

## Notes (continued)

### 15 Called up share capital

	27 August 2011		28 August 2010	
	Number	£'000	Number	£'000
<i>Authorised</i>				
"A" Ordinary shares of £1 each	375,000	375	375,000	375
"B" Ordinary shares of £1 each	125,000	125	125,000	125
	<u>500,000</u>	<u>500</u>	<u>500,000</u>	<u>500</u>
<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
	<u>100,000</u>	<u>100</u>	<u>100,000</u>	<u>100</u>

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

### 16 Reserves

	Profit and loss account £'000
At beginning of period	25 470
Profit for the financial period	1 922
Dividends paid	(5 200)
At end of period	<u>22,192</u>

### 17 Reconciliation of movements in shareholders' funds

	52 week period ended 27 August 2011 £'000	52 week period ended 28 August 2010 £'000
Profit for the financial period	1,922	1,912
Dividends paid	(5,200)	(2,350)
Net (reduction in)/addition to shareholders' funds	<u>(3,278)</u>	<u>(438)</u>
Opening shareholders' funds	25,570	26,008
Closing shareholders' funds	<u>22,292</u>	<u>25,570</u>

## Notes (continued)

### 18 Contingent liabilities

There were no contingent liabilities as at 27 August 2011 (2010 £nil)

### 19 Commitments

There were capital commitments as at 27 August 2011 of £20k (2010 £1,290k)

Annual commitments under non-cancellable operating leases are as follows

	27 August 2011		28 August 2010	
	Land and Buildings	Other	Land and Buildings	Other
	£'000	£'000	£ 000	£'000
Operating leases which expire				
Within one year	32	133	32	115
In the second to fifth years inclusive	-	182	-	229
Over five years	-	3	-	-
	<u>32</u>	<u>318</u>	<u>32</u>	<u>344</u>

### 20 Ultimate parent company and parent undertaking of largest group of which the Company is a member

The ultimate parent company and controlling party, as defined by Financial Reporting Standard 8, 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