

# **Mauri Products Limited**

Annual Report and Financial Statements  
for the 52 week period ended 26<sup>th</sup>  
August 2017

Registered number 1413180



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## Strategic Report

The directors present their Annual Report and the audited financial statements for the 52 week period ended 26 August 2017.

### Principle Activity

The principle activity of the Company is the manufacture and sale of yeast and yeast products.

### Business Review

In the 52 week period ended 26 August 2017, turnover was £20.2 million (2016: £22.1 million). The operating loss for the period was £0.7m (2016: profit of £0.1m) and the loss before tax was £0.8m (2016: profit of £0.1m). The business was impacted by currency movements and commodity price changes during 2017.

The financial position at the period end is set out in the balance sheet on page 12. Net assets of £5.5m (2016: £6.2m) included a cash balance of £1.9m (2016: £1.7m).

The directors consider this financial position to be satisfactory.

### Principal risks & uncertainties and financial risk management

The principle uncertainties facing the company are:

- The impact of fluctuating exchange rates on purchases and sales denominated in foreign currencies. Management utilise contract hedging arrangements to minimise this risk; and
- The impact of fluctuating commodity prices affecting procurement.

The company strives to ensure environmental compliance with relevant legislation and that environmental best practice is in place across the site. It takes pride in its environmental record and endeavours to make improvements wherever possible.

With the economy stable, bad debts are considered to be a low risk and the bad debt provision has decreased during the period. The company maintains strong relationships with each of its customers, has established detailed credit control parameters and continues to monitor outstanding receivables closely.

### Future developments

The company aims to improve current profit levels where possible and to mitigate the risks identified above.

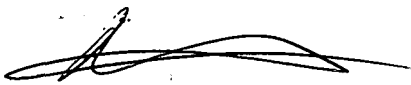
## Strategic Report *(continued)*

### Financial key performance indicators (KPIs)

The following KPIs, based on the period end position, are used by management to monitor business performance:

	2017 - £,000	2016 - £,000
Turnover	20,230	22,109
Operating (Loss)/Profit	(728)	142
(Loss)/Profit for the financial year	(616)	151
Shareholder's Funds	5,541	6,217
Gross Profit Margin	23%	24%
Operating profit margin	(4%)	1%
ROCE	(13%)	2%

By order of the board



**Andrew Pollard**  
*Director*

Weston Centre  
10 Grosvenor Street  
LONDON  
W1K 4QY

8<sup>th</sup> May 2018

## Directors' Report

The directors present their report and the audited financial statements of the company for the 52 week period ended 26 August 2017.

### Dividends

The directors did not recommend the payment of a dividend during the period. (2016: Nil). No final dividend is proposed.

### 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 is considered equal in importance to that of any function of the Company and its business objectives are accentuated by the resource placed in this area.

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 were as follows:

A Pollard  
I Smith  
N Holmes  
M Devenuto

### United Kingdom charitable and political contributions

Contributions to charitable organisations during the period totalled £1,000 (2016: £2,100). No contributions were made to political organisations (2016: £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 58 days (2016: 63 days) purchases in 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. Mauri Products Ltd provides leadership, policies, training and guidance on what it is expected to ensure that its aims are met, wherever people work and whatever their position in the organisation.

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.

AB Mauri encourages its people to help monitor the effectiveness of its approach by drawing attention to any failings or weaknesses in systems or procedures 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.

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

At 26 August 2017 the company had net current liabilities of £3.5m (2016: £3.1m) which included £6.5m (2016: £5.1m) payable to the parent company. The parent company has indicated that it will not seek repayment of this

## **Directors' Report (continued)**

### **Going Concern (continued)**

loan for at least twelve months from the date of these accounts and has provided a letter of support in respect of these financial statements.

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report.

The directors, having completed cash flow projections and reviewed the company's banking facilities, have no reason to believe that a material uncertainty exists that may cast significant doubt about the continued availability of its current banking arrangements or the ability of the company to continue as a going concern .

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. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### **Disclosure of information to auditor**

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is 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 auditor is aware of that information.

### **Independent auditor**

Ernst & Young LLP were appointed by the board of directors effective from 23 November 2017 as the company's auditor for the financial year ended 25 August 2018 in terms of section 487 of the companies Act 2006.

By order of the board



**Andrew Pollard**  
*Director*

Weston Centre  
10 Grosvenor Street  
LONDON  
W1K 4QY

8<sup>th</sup> May 2018

## **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 period. Under that law, the directors have prepared the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) 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 judgements 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;
- notify the company's shareholders in writing about the use of disclosure exemptions, if any. Of FRS 101 used in the preparation of 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.

## Ernst & Young LLP

24 Marina Court  
Hull  
HU1 1TJ  
United Kingdom

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF Mauri Products Limited**

#### **Opinion**

We have audited the financial statements of Mauri Products Limited for the 52 week period ended 26 August 2017 which comprise the Income Statement, Statement of comprehensive income, Balance sheet, Statement of changes in equity and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 26 August 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **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



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF Mauri Products Limited (continued)**

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.

### **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 7, 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.

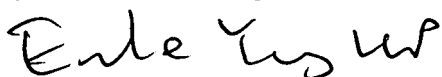
## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF Mauri Products Limited (continued)**

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.



Richard Frostick (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Hull

Date 9 May 2018

## Income statement

for the 52 week period ended 26 August 2017

	<i>Note</i>	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
<b>Turnover</b>	4	<b>20,230</b>	22,109
Cost of sales		<b>(15,626)</b>	(16,864)
<b>Gross profit</b>		<b>4,604</b>	5,245
Distribution costs		<b>(2,350)</b>	(2,424)
Administration expenses		<b>(2,982)</b>	(2,679)
<b>Operating (loss)/profit</b>		<b>(728)</b>	142
Other interest payable and similar expense	9	<b>(53)</b>	(57)
<b>(Loss)/Profit on ordinary activities before taxation</b>	5	<b>(781)</b>	85
Tax on (Loss)/Profit on ordinary activities	10	<b>165</b>	66
<b>(Loss)/Profit for the financial period</b>		<b>(616)</b>	151

The notes on pages 14 to 24 form part of these financial statements.

## Statement of comprehensive income

for the 52 week period ended 26 August 2017

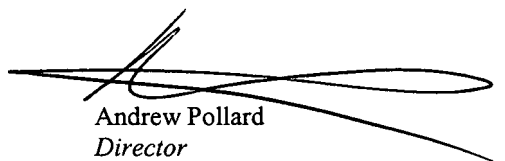
	<i>Note</i>	<b>2017</b> <b>£000</b>	<b>2016</b> <b>£000</b>
<b>(Loss)/Profit for the financial period</b>		<b>(616)</b>	151
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Cash flow hedges:			
(Loss)/gain arising during the period	16	<b>(73)</b>	75
Add: Deferred taxation relating to cash flow hedges	17	<b>13</b>	(13)
<b>Other comprehensive (expense)/income for the period net of tax</b>		<b>(60)</b>	62
<b>Total comprehensive (expense)/income for the period</b>		<b>(676)</b>	213

**Balance sheet**  
*at 26 August 2017*

	<i>Note</i>	<b>2017</b>	<b>2016</b>
		<b>£000</b>	<b>£000</b>
<b>Fixed assets</b>			
Tangible assets	<i>11</i>	<b>9,561</b>	10,045
<b>Current assets</b>			
Stocks	<i>13</i>	<b>1,042</b>	1,180
Debtors	<i>14</i>	<b>3,883</b>	3,400
Cash at bank and in hand		<b>1,916</b>	1,699
		<b>6,841</b>	6,279
<b>Creditors: amounts falling due within one year</b>	<i>15</i>	<b>(10,297)</b>	(9,391)
<b>Net current liabilities</b>		<b>(3,456)</b>	(3,112)
<b>Total assets less current liabilities</b>		<b>6,105</b>	6,933
Deferred Tax	<i>17</i>	<b>(564)</b>	(716)
<b>Net assets</b>		<b>5,541</b>	6,217
<b>Capital and reserves</b>			
Called up share capital	<i>18</i>	<b>1,375</b>	1,375
Profit and loss account		<b>4,164</b>	4,780
Hedge reserve	<i>16</i>	<b>2</b>	62
<b>Total equity shareholders' funds</b>		<b>5,541</b>	6,217

The notes on pages 14 to 24 form part of these financial statements.

These financial statements were approved by the board of directors on 8<sup>th</sup> May 2018 and were signed on its behalf by:

  
Andrew Pollard  
Director

**Statement of changes in equity**  
*at 26 August 2017*

	<b>Called up share capital £'000</b>	<b>Hedging reserve £'000</b>	<b>Profit and loss account £'000</b>	<b>Total equity £'000</b>
At 29 August 2015	1,375	-	4,629	6,004
Profit for the financial period	-	-	151	151
Other comprehensive income for the period	-	62	-	62
	<hr/>	<hr/>	<hr/>	<hr/>
At 27 August 2016	1,375	62	4,780	6,217
Loss for the financial period	-	-	(616)	(616)
Other comprehensive expense for the period	-	(60)	-	(60)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>At 26 August 2017</b>	<b>1,375</b>	<b>2</b>	<b>4,164</b>	<b>5,541</b>

## Notes to the financial statements

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

The financial statements of Mauri Products Ltd for the 52 week period ended 26 August 2017 were authorised for issue by the board of directors on 8<sup>th</sup> May 2018 and the balance sheet was signed on the board's behalf by A. Pollard. Mauri Products Ltd 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).

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 results of Mauri Products Ltd 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 principle 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 have been prepared in accordance with Financial Reporting Standard 101 (FRS 101). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings in accordance with the companies Act 2006.

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

- (a) the requirements of IFRS 7 Financial Instruments: Disclosures,
- (b) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- (c) 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 73(e) of IAS 16 Property, Plant and Equipment;
  - (d) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
  - (e) the requirements of IAS 7 Statement of Cash Flows;
  - (f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
  - (g) the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
  - (h) 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
  - (i) 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.

## Notes to the financial statements (continued)

### 2 Accounting policies (continued)

#### *Basis of preparation (continued)*

As permitted under 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*

At 26 August 2017 the company had net current liabilities of £3.5m (2016: £3.1m) which included £6.5m (2016: £5.1m) payable to the parent company. The parent company has indicated that it will not seek repayment of this loan for at least twelve months from the date of these accounts and has provided a letter of support in respect of these financial statements.

The company's business activities, together with the factors likely to affect its future development and position, are set out in the Strategic Report.

The directors, having completed cash flow projections and reviewed the company's banking facilities, have no reason to believe that a material uncertainty exists that may cast significant doubt about the continued availability of its current banking arrangements or the ability of the company to continue as a going concern.

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. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### *Turnover*

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Turnover is measured at the fair value of the consideration received, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Turnover from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Rebates are given to a number of key customers based on a percentage of turnover sold to those customers. These rebates are paid to customers by way of sales credit notes and/or free goods. Provisions are made for these rebates at fair value and are deducted from turnover.

#### *Fixed assets and depreciation*

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	50 years
Plant and machinery	-	3 to 13 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.

#### *Foreign currencies*

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction.

## Notes to the financial statements (continued)

### 2 Accounting policies (continued)

#### *Foreign Currencies (continued)*

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 in the period in which they arise except for exchange differences on transactions covered by hedge agreements. (See policy below on Derivative financial instruments).

#### *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 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 IAS 19, 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.

#### *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, production labour and an appropriate proportion of attributable production overheads.

#### *Leases*

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. The benefit of any lease incentives is recognised in the income statement on a straight-line basis over the life of the lease. The company has no finance leases.

#### *Taxation*

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by IAS 12.

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

#### *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 that the companies' profits were earned.

#### *Derivative financial instruments*

Financial assets are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

The company has entered into foreign exchange forward contracts to manage its exposure to foreign exchange rate risk. Further details of derivative financial instruments are disclosed in note 16.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gain or loss is recognised in



## Notes to the financial statements (continued)

### 2 *Accounting policies (continued)*

#### *Derivative financial instruments (continued)*

the hedging reserve until such time as the derivative matures. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss, consistent with the applicable accounting policy. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. A derivative with a positive fair value is recognised as a financial asset and is presented as a current asset if the contractual maturity date of the instrument is within twelve months of the balance sheet date.

#### *New accounting policies*

The company is assessing the impact of new applicable accounting standards that are not yet effective. Impact assessments and implementation planning is already underway in respect of IFRS 9 and IFRS 15. Further details of the company's transitional approach to their implementation and their expected impact will be provided in the 2018 financial statements.

### 3 **Critical accounting estimates and judgements**

#### *a) Stock provisions*

The company manufactures yeast using molasses. The calculation of the value of molasses provisions at the period end involves estimating the amount of molasses stock which remains in the bottom of the storage tanks which cannot be used. See note 13 for the net carrying amount of the stock and the associated provision.

#### *b) Impairment of trade receivables*

The company makes an estimate of the recoverable value of trade debtors. When assessing impairment of trade receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience. See note 14 for the net carrying amount of the receivables and the associated impairment provision.

### 4 **Turnover**

Turnover is derived from the principal activity of the company, being the manufacture and sale of yeast.

The geographical analysis of turnover by destination is as follows:

	2017 £000	2016 £000
United Kingdom	17,885	19,794
Rest of Europe	2,199	2,170
Rest of World	146	145
	<b>20,230</b>	<b>22,109</b>

## Notes to the financial statements (continued)

### 5 (Loss)/profit on ordinary activities before taxation

	2017	2016
	£000	£000
<i>(Loss)/profit is stated after charging/(crediting)</i>		
Staff costs (note 6)	3,309	2,974
Depreciation of tangible fixed assets:	1,711	1,543
Rentals payable under operating leases	391	395
Audit fees payable to the company's auditor	25	23
Profit on disposal of tangible fixed assets	(11)	(22)
Inventory recognised as an expense	7,347	8,538
Impairment of inventory (included in 'cost of sales')	31	38
Foreign exchange gains	(42)	(154)

### 6 Employees

The average number of persons employed by the company, including the directors during the period was as follows:

	Number of employees	
	2017	2016
Production	24	15
Administration and sales	43	47
Production and administration	67	62

Staff costs were as follows:

	2017	2016
	£000	£000
Wages and salaries	2,727	2,384
Social security costs	271	253
Other pension costs	311	337
	3,309	2,974

## Notes to the financial statements (continued)

### 7 Pensions

The company is a member of the Associated British Foods plc pension scheme (the 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 IAS 19 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 £136,000 (2016: £183,000).

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 which amounted to £175,000 (2016: £154,000).

The most recent actuarial independent valuation of the defined benefit scheme was carried out as at 5 April 2017 and revealed a surplus of £176m. At the valuation date the total market value of the assets of the scheme was £3,789m. At 5 April 2017, the Scheme's assets would have been sufficient to secure, on average, 76% of members' benefits.

Full IAS 19 disclosures can be found within the annual report and accounts of the group, which are available for download from the group's website at [www.abf.co.uk](http://www.abf.co.uk).

### 8 Directors' remuneration

The directors' emoluments are paid by other group companies for their roles as directors of this entity. The company did not pay any remuneration to directors in respect of their services (2016: £nil).

### 9 Other interest payable

	2017 £000	2016 £000
Payable to group undertakings	53	57

## Notes to the financial statements (continued)

### 10 Tax on (loss)/profit on ordinary activities

	2017 £000	2016 £000
<b>Corporation Tax</b>		
UK corporation tax – current year	(53)	82
UK corporation tax – prior year adjustment	27	(6)
	<hr/>	<hr/>
<b>Total current tax</b>	<b>(26)</b>	<b>76</b>
<b>Deferred Tax</b>		
Origination and reversal of timing difference	(100)	(227)
Effect of change in tax rate	(25)	84
Adjustment in respect of previous years	(14)	1
	<hr/>	<hr/>
<b>Total deferred tax (note 17)</b>	<b>(139)</b>	<b>(142)</b>
	<hr/>	<hr/>
<b>Total tax credit in the year on ordinary activities</b>	<b>(165)</b>	<b>(66)</b>
	<hr/> <hr/>	<hr/> <hr/>

### Factors affecting tax credit for the period

The tax assessed for the period is lower than (2016 the standard rate of corporation tax in the UK of 19.58% (2016: 20%). The differences are explained below:

	2017 £000	2016 £000
Profit/(loss) on ordinary activities before tax	(781)	85
	<hr/> <hr/>	<hr/> <hr/>
Profit/(loss) on ordinary activities at standard rate or corporation tax in the UK of 19.58% (2016: 20%)	(153)	17
Effect of change in tax rate	(25)	(78)
Adjustment in respect of previous periods	13	(5)
	<hr/>	<hr/>
<b>Total tax credit for the period</b>	<b>(165)</b>	<b>(66)</b>
	<hr/> <hr/>	<hr/> <hr/>

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%.

## Notes to the financial statements (continued)

### 11 Tangible fixed assets

	Land and buildings £000	Plant and machinery £000	Payments on account and assets in course of construction £000	Total £000
<i>Cost</i>				
At beginning of period	2,515	25,166	1,104	28,785
Additions	-	21	1,207	1,228
Disposals	-	(163)	-	(163)
Transfers	(3)	1,813	(1,810)	-
	<hr/>	<hr/>	<hr/>	<hr/>
At end of period	2,512	26,837	501	29,850
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>				
At beginning of period	1,239	17,501	-	18,740
Charge for period	63	1,648	-	1,711
Disposals	-	(162)	-	(162)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of period	1,302	18,987	-	20,289
	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>				
At 26 August 2017	<b>1,210</b>	<b>7,850</b>	<b>501</b>	<b>9,561</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 27 August 2016	<b>1,276</b>	<b>7,665</b>	<b>1,104</b>	<b>10,045</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Land and buildings comprise freehold property, including land at a cost of £399,701 (2016: £399,701) which is not depreciated.

### 12 Capital commitments

There are commitments for capital expenditure by the company of approximately £1,003,000 (2016: £141,000) for which no provision has been made in these financial statements.

## Notes to the financial statements (continued)

### 13 Stocks

	2017 £000	2016 £000
Raw materials and consumables	864	973
Finished goods and goods for resale	178	207
	<u>1,042</u>	<u>1,180</u>

There is no significant difference between the replacement cost of raw materials and consumables, and finished goods and goods for resale and their carrying amount.

At the period end a provision for raw materials and consumables of £25,000 existed (2016:£ 56,000)

### 14 Debtors

	2017 £000	2016 £000
Trade debtors	2,552	2,308
Amounts owed by group companies	840	637
Derivative financial instruments (note 16)	2	75
Corporation Tax	53	-
VAT recoverable	187	166
Prepayments and accrued income	249	214
	<u>3,883</u>	<u>3,400</u>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

At the period end there was no provision for doubtful debtors. (2016:£37,000)

### 15 Creditors: amounts falling due within one year

	2017 £000	2016 £000
Trade creditors	2,730	2,907
Amounts owed to group companies	7,318	6,159
Corporation Tax	-	76
Accruals and deferred income	249	249
	<u>10,297</u>	<u>9,391</u>

The company has a bank overdraft facility of £300,000 as part of the facility extended to the parent company by the group's bankers. Details of this facility are available in the financial statements of the parent company.

## Notes to the financial statements (continued)

### 16 Hedge Reserves

	2017 £000	2016 £000
Derivatives that are designated and effective as hedging instruments carried at fair value:		
Opening balance on hedge reserve	62	-
(Loss)/gain recognised in the period	(73)	75
Deferred Tax on hedge reserve	13	(13)
Closing balance on hedge reserve	<u>2</u>	<u>62</u>

In August, the company entered into a contract to purchase US €650,000 at a rate of €1.088613 (£597,090). This contract matures on 20 October 2017.

The hedging reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss, consistent with the applicable accounting policy.

### 17 Deferred Tax

	Deferred taxation £000
At beginning of the period	(716)
Credited to income statement in the period	139
Deferred tax on hedging reserve	13
At end of period	<u>(564)</u>

The deferred tax liability is made up as follows:

	2017 £000	2016 £000
Difference between accumulated depreciation and capital allowances	(577)	(703)
Deferred tax on hedging reserve	13	(13)
Deferred tax liability	<u>(564)</u>	<u>(716)</u>

## Notes to the financial statements (continued)

### 18 Called up share capital

	2017		2016	
	Number	£	Number	£
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each				
Class A	687,500	687,500	687,500	687,500
Class B	687,500	687,500	687,500	687,500
Class C	1	1	1	1
	1,375,001	1,375,001	1,375,001	1,375,001
	1,375,001	1,375,001	1,375,001	1,375,001

The A, B and C shares rank pari passu, except that the C shares do not confer the right to receive notice of, or to be present at, or to vote either in person or by proxy at, any general meeting of the company.

### 19 Commitments under operating leases

At 26 August 2017 the minimum lease payments under operating leases were:

	2017	2016
	£000	£000
Within one year	364	168
Between one and five years	1,320	202
After five years	180	243
	1,864	613

### 20 Related parties

As a wholly owned subsidiary the company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries.

### 21 Controlling party

The ultimate holding 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.

The consolidated accounts of these groups are available to the public and may be obtained from Associated British Foods plc, Weston Centre, 10 Grosvenor Street, London W1K 4QY.