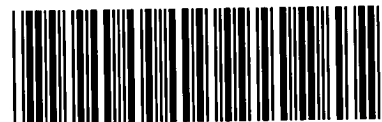


WARBURTONS 1876 LIMITED

Annual Report and Financial Statements

For the 52 week period ended 24 September 2016

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ANNUAL REPORT AND FINANCIAL STATEMENTS 2016

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COMPANY OFFICERS

DIRECTORS

Jonathan Warburton
W. Brett Warburton
W. Ross Warburton

SECRETARY

John Healey

REGISTERED OFFICE

Back o'th' Bank House
Hereford Street
Bolton
BL1 8HJ

STRATEGIC REPORT

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

Business review

In the period under review performance has been stable. This is a satisfactory result in the increasingly competitive wrapped bakery market. Trading conditions have remained difficult as the decline in the total market has continued throughout the period in question.

The principal activity of the Group is the production and distribution of bakery products. There have not been any significant changes in the Company's principal activities in the period under review. The directors are not aware, at the date of this report, of any likely major changes in the Group's activities in the next period.

The profit for the period has been achieved only through the continued focus on the quality of product and service supported by the continued development of new product ranges. The new 'Giant Crumpets' were successfully introduced during the year supported by an award winning marketing campaign. Other recently introduced product ranges have continued to grow, in part compensating for the general market decline and increasingly competitive nature of the wrapped bread market.

Continuing investment in new capability and innovation to meet changing consumer trends will ensure we are well placed for future progress.

On 20 September 2016, as part of a group restructure, the Company acquired the entire share capital of Alliedtropic Limited from its subsidiary Warburtons Holdings Limited for a consideration of £100. Previously, on the same day, Warburtons Holdings Limited acquired the entire share capital of Alliedtropic Limited from its subsidiary company Warburtons Limited for a consideration of £100. No gain or loss resulted from either transaction.

Information regarding the going concern basis of preparation is disclosed in the Statement of Accounting Policies on page 17.

Results and Financial Performance

The results and financial position for the period are set out in the financial statements commencing on page 10.

Turnover was £550.9 million for the period (2015: £574.4 million) and profit before tax was £39.7 million (2015: £28.7 million).

As at 24 September 2016 the net assets of the Group were £343.2 million (2015: £354.3 million). Fixed assets additions in the period totalled £30.4 million (2015: £45.3 million).

Operating profit excluding exceptional items increased by 5.8% to £45.6 million. This is mainly due to increased focus on cost control within the business.

Profit before tax has increased from £28.7 million to £39.7 million due mainly to exceptional charges in the prior period.

In the prior period an exceptional impairment charge of £7.8 million was recognised to reduce the value of the goodwill and tangible fixed assets of one of the Group's Cash Generating Units ("CGU"). The goodwill and tangible fixed assets of the CGU were written down their estimated recoverable value. A review of the recoverable values as at 24 September 2016 has indicated no further impairment is required.

The average number of employees in the period was 4,824 (2015: 4,826).

STRATEGIC REPORT (continued)

PRINCIPAL ACTIVITY AND BUSINESS REVIEW (continued)

Risks and uncertainties

The Warburtons business operates largely in the very competitive Great Britain grocery market. In order to manage this we continue to develop our brand and strengthen our category management expertise.

We are exposed to commodity markets, principally wheat and energy. The level of volatility remains significant within these cost areas and with the consumer environment remaining challenging cost recovery is difficult. The Board considers the processes we have in place for managing risk in these areas to be appropriate.

Certain loans held by the Group are subject to financial covenants. The directors regularly review compliance with the covenants and maintain strong relationships with the Group's finance providers in order to minimise any associated risks.

Medium-term financing has been extended in the current period and agreed with our partner banks until March 2021, in addition loan notes have been issued by the ultimate parent company which secure a longer term financing base.

Exposure to interest rate, commodities and foreign currency risk is managed through a comprehensive hedging policy. Details of the financial instruments held at the period end are disclosed in note 17.

Given the current turbulent economic environment the Board continues to ensure full risk assessment is a key part of all decision making.

FUTURE DEVELOPMENTS

The directors expect the general level of activity to remain broadly consistent with the current performance in the forthcoming period. The continued development of new product ranges and focus on quality and service levels are anticipate to compensate for the expected continuing decline in the overall wrapped bakery market.

CHARITABLE CONTRIBUTIONS / FINANCIAL GIVING POLICY

The Group contributed £490,000 (2015: £512,000) during the period to our community and charitable grants programme, distributed substantially through our charitable partner the Charities Aid Foundation, in line with our Financial Giving Policy available on our website at <http://www.warburtons.co.uk/corporate/responsibility/best-for-the-community/financial-giving>.

Warburtons is committed to operating in a socially responsible manner within its local communities. As a family business, the Group has a strong track record of community investment delivered through our Families Matter strategy.

The Group works closely with the Charities Aid Foundation and the British Nutrition Foundation and is a member of Business in the Community. Warburtons provides support in a number of ways including grants, our national school visitors' programmes, product donation, volunteering, matched funding, fundraising and payroll giving.

CORPORATE RESPONSIBILITY

The Group takes its responsibilities to wider society seriously and supports the development of a sustainable and socially responsible business model, underpinned by a set of values that guide our behaviours.

Our new sustainability strategy focuses on two main pillars. Namely carbon and waste management under our environmental pillar; and sustainable supply, employee health & wellbeing and community investment under our societal pillar. Together these work streams demonstrate tangibly our values driven approach, ensuring that we recognise and manage positively the impact of the Group on the environment and society.

Approved by the Board of Directors
and signed on behalf of the Board

J. Warburton
Director
13 December 2016



DIRECTORS' REPORT

The directors present their annual report on the affairs of the Company and the Group, together with the financial statements and auditor's report, for the 52 week period ended 24 September 2016.

RESULTS AND DIVIDENDS

Results, dividends and recommended transfers to reserves are as follows:

	Profit and loss account £'000
At 26 September 2015	(13,406)
Profit for the period	29,561
Dividends paid	(14,708)
Actuarial loss relating to the pension scheme, net of tax	(25,026)
Retained loss at 24 September 2016	(23,579)

During the period, the Company paid interim dividends of £14.7 million (2015: £21.2 million). Post 24 September 2016, the Company has not proposed or paid any dividends (see note 6).

Further details on the Group's results and financial position are given in the Strategic Report.

DIRECTORS

The directors are as noted on page 1 and served throughout the period and thereafter.

EMPLOYEES

The Group has a Health and Safety Policy, Health and Wellbeing Policy and a Diversity Policy in place.

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as practicable, be identical to that of other employees.

EMPLOYEE CONSULTATION

The Group places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings and the Company magazine. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

DIRECTORS' INDEMNITIES

The Group has made qualifying third party indemnity provisions for the benefit of its directors which were made during the period and remain in force at the date of this report.

GOING CONCERN

Information regarding the going concern basis of preparation is disclosed in the Statement of Accounting Policies on page 17.

DIRECTORS' REPORT (continued)

FUTURE DEVELOPMENTS

Details of the future developments can be found in the Strategic Report on page 3 and form part of this report by cross-reference.

RESEARCH AND DEVELOPMENT

Applied research and development work continues to be directed towards the introduction of new and improved products, the application of new technology to reduce unit and operating costs and to improve service to customers.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Group does not use derivative financial instruments for speculative purposes.

Cash flow risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and diesel prices. The Group uses foreign exchange forward contracts and diesel swap contracts to hedge these exposures.

Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows.

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables, and investments.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Group maintains long-term debt finance.

Further details regarding liquidity risk can be found in the Statement of accounting policies in the financial statements.

AUDITOR

In the case of each of the persons who are directors of the Company at the date when this report is approved:

- so far as each is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each of the directors 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.

This confirmation is given, and shall be interpreted in accordance with, s418 of the Companies Act 2006.

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

DIRECTORS' REPORT (continued)

APPROVAL OF REDUCED DISCLOSURES

The Company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS 102 paragraph 1.12 in respect of its separate Company financial statements. The Company's shareholders have been notified about the intention to take advantage of the disclosure exemptions and no objections have been received.

The Company also intends to take advantage of these exemptions in its separate Company financial statements to be issued in the following period. Objections may be served on the Company by the shareholder no later than 30 September 2017.

Approved by the Board of Directors
and signed on behalf of the Board

A handwritten signature in black ink, appearing to read 'J. Warburton', written in a cursive style.

J. Warburton
Director
13 December 2016

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 Group and Parent Company and of the profit or loss of the Group 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 accounting 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 are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF Warburtons 1876 LIMITED

We have audited the financial statements of Warburtons 1876 Limited for the 52 weeks ended 24 September 2016 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Balance Sheet, the Company Statement of Changes in Equity, the Consolidated Cash Flow Statement, the Statement of Accounting Policies and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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, 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 Group's and Parent 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 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 and the Group's affairs as at 24 September 2016 and of the Group's profit for the 52 week period 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.

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

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 any material misstatements in the Strategic Report and the Directors' Report.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF Warburtons 1876
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.



Jane Boardman BSc FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Manchester, United Kingdom

13 December 2016

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the 52 weeks ended 24 September 2016

	Note	52 weeks ended 24 September 2016 £'000	52 weeks ended 26 September 2015 £'000
TURNOVER	1	550,885	574,443
Other operating income		1,669	2,107
		<u>552,554</u>	<u>576,550</u>
Raw material and consumable costs		(147,365)	(168,002)
Other external costs		(118,459)	(124,544)
		<u>(265,824)</u>	<u>(292,546)</u>
Staff costs	2	(189,908)	(189,658)
Depreciation, amortisation and impairment charge excluding exceptional items		(46,014)	(47,045)
Exceptional impairment charge	26	-	(7,751)
Total depreciation, amortisation and impairment expenses		(46,014)	(54,796)
Other operating charges		(5,200)	(4,199)
		<u>(241,122)</u>	<u>(248,653)</u>
Operating profit before exceptional items		45,608	43,102
Exceptional items	26	-	(7,751)
OPERATING PROFIT		45,608	35,351
Share of results of associated undertakings		(32)	2
PROFIT ON ORDINARY ACTIVITIES BEFORE FINANCE CHARGES		45,576	35,353
Finance charges (net)	3	(5,887)	(6,675)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	39,689	28,678
Tax on profit on ordinary activities	5	(10,128)	(10,004)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>29,561</u>	<u>18,674</u>

All activity arose from continuing operations.

The accompanying accounting policies and notes are an integral part of this consolidated profit and loss account.

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME
For the 52 weeks ended 24 September 2016

		52 weeks ended 24 September 2016 £'000	52 weeks ended 26 September 2015 £'000
	Note		
Profit for the financial period		29,561	18,674
Other comprehensive (expense)/income			
(Losses)/gains arising during the period on cash flow hedges	18	(988)	338
Actuarial remeasurement of net defined benefit liability	23	(28,400)	(7,400)
Tax relating to components of other comprehensive income		3,432	1,412
Total comprehensive income		3,605	13,024

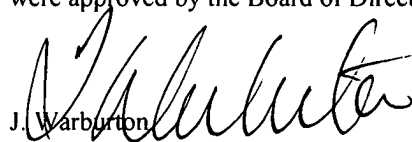
All amounts are attributable to the equity shareholders of the Company.

The accompanying accounting policies and notes are an integral part of this consolidated statement of total comprehensive income.

CONSOLIDATED BALANCE SHEET
As at 24 September 2016

	Note	24 September 2016 £'000	26 September 2015 £'000
FIXED ASSETS			
Goodwill	7	273,444	290,244
Tangible fixed assets	8	219,872	220,119
Investments	9	159	190
		<u>493,475</u>	<u>510,553</u>
CURRENT ASSETS			
Stocks	10	6,410	7,462
Debtors	11	93,544	95,078
Current asset investments	12	1,675	1,675
Cash at bank and in hand		56,795	34,630
		<u>158,424</u>	<u>138,845</u>
CREDITORS: amounts falling due within one year	13	<u>(89,489)</u>	<u>(105,468)</u>
NET CURRENT ASSETS		<u>68,935</u>	<u>33,377</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		562,410	543,930
CREDITORS: amounts falling due after one year	14	(132,051)	(123,572)
PROVISIONS FOR LIABILITIES	16	<u>(10,299)</u>	<u>(13,395)</u>
NET ASSETS EXCLUDING PENSION DEFICIT		420,060	406,963
Pension deficit	23	<u>(76,883)</u>	<u>(52,683)</u>
NET ASSETS		<u><u>343,177</u></u>	<u><u>354,280</u></u>
CAPITAL AND RESERVES			
Called-up share capital	19	15	15
Share premium account		367,636	367,636
Hedging reserve		(895)	35
Profit and loss account		<u>(23,579)</u>	<u>(13,406)</u>
SHAREHOLDERS' FUNDS		<u><u>343,177</u></u>	<u><u>354,280</u></u>

The consolidated financial statements of Warburtons 1876 Limited, registered number 8409621, on pages 10 to 47 were approved by the Board of Directors and signed on its behalf by:


J. Warburton
Director
13 December 2016

The accompanying accounting policies and notes are an integral part of this consolidated balance sheet.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 24 September 2016

	Called-up share capital £'000	Share premium account £'000	Profit and loss account £'000	Hedging reserve £'000	Total £'000
At 28 September 2014 as previously stated	15	367,636	406	-	368,057
Changes on transition to FRS 102 (see note 27)	-	-	(349)	(294)	(643)
Tax related to changes on transition (see note 27)	-	-	(5,038)	59	(4,979)
At 28 September 2014 as restated	15	367,636	(4,981)	(235)	362,435
Profit for the financial period	-	-	18,674	-	18,674
Hedges of foreign exchange risk (see note 17)	-	-	-	338	338
Actuarial remeasurement of net defined benefit liability	-	-	(7,400)	-	(7,400)
Tax relating to items of other comprehensive income	-	-	1,480	(68)	1,412
Total comprehensive income	-	-	12,754	270	13,024
Dividends paid on equity shares (see note 6)	-	-	(21,179)	-	(21,179)
At 26 September 2015	15	367,636	(13,406)	35	354,280
Profit for the financial period	-	-	29,561	-	29,561
Hedges of foreign exchange risk (see note 17)	-	-	-	(988)	(988)
Actuarial remeasurement of net defined benefit liability	-	-	(28,400)	-	(28,400)
Tax relating to items of other comprehensive income	-	-	3,374	58	3,432
Total comprehensive income	-	-	4,535	(930)	3,605
Dividends paid on equity shares (see note 6)	-	-	(14,708)	-	(14,708)
At 24 September 2016	15	367,636	(23,579)	(895)	343,177

The accompanying accounting policies and notes are an integral part of this consolidated statement of changes in equity.

COMPANY BALANCE SHEET
As at 24 September 2016

	Note	24 September 2016 £'000	26 September 2015 £'000
FIXED ASSETS			
Investments	9	439,931	439,931
CURRENT ASSETS			
Debtors	11	111,118	76,028
Cash at bank and in hand		8	5
		111,126	76,033
CREDITORS: amounts falling due within one year	13	(1,779)	(1,716)
NET CURRENT ASSETS		109,347	74,317
TOTAL ASSETS LESS CURRENT LIABILITIES		549,278	514,248
CREDITORS: amounts falling due after one year	14	(132,051)	(123,954)
PROVISIONS FOR LIABILITIES	16	-	(14)
NET ASSETS		417,227	390,280
CAPITAL AND RESERVES			
Called-up share capital	19	15	15
Share premium account		367,636	367,636
Hedging reserve		(3,834)	56
Profit and loss account		53,410	22,573
SHAREHOLDERS' FUNDS		417,227	390,280

The financial statements of Warburtons 1876 Limited, registered number 8409621, on pages 10 to 47 were approved and authorised for issue by the Board of Directors and signed on its behalf by:

J. Warburton
Director
13 December 2016



The accompanying accounting policies and notes are an integral part of this Company balance sheet.

COMPANY STATEMENT OF CHANGES IN EQUITY

As at 24 September 2016

	Called-up share capital £'000	Share premium account £'000	Profit and loss account £'000	Hedging reserve £'000	Total £'000
At 28 September 2014 as previously stated	15	367,636	27,894	-	395,545
Changes on transition to FRS 102 (see note 27)	-	-	-	1,547	1,547
Tax related to changes on transition (see note 27)	-	-	-	(309)	(309)
At 28 September 2014 as restated	15	367,636	27,894	1,238	396,783
Profit for the financial period	-	-	15,858	-	15,858
Hedges of foreign exchange risk (see note 17)	-	-	-	(1,477)	(1,477)
Tax relating to items of other comprehensive income	-	-	-	295	295
Total comprehensive income	-	-	15,858	(1,182)	14,676
Dividends paid on equity shares (see note 6)	-	-	(21,179)	-	(21,179)
At 26 September 2015	15	367,636	22,573	56	390,280
Profit for the financial period	-	-	45,545	-	45,545
Hedges of foreign exchange risk (see note 17)	-	-	-	(4,687)	(4,687)
Tax relating to items of other comprehensive income	-	-	-	797	797
Total comprehensive income	-	-	45,545	(3,890)	41,655
Dividends paid on equity shares (see note 6)	-	-	(14,708)	-	(14,708)
At 24 September 2016	15	367,636	53,410	(3,834)	417,227

The accompanying accounting policies and notes are an integral part of this Company statement of changes in equity.

CONSOLIDATED CASH FLOW STATEMENT
For the 52 weeks ended 24 September 2016

		52 weeks to 24 September 2016 £'000	52 weeks to 26 September 2015 £'000
	Note		
Net cash flows from operating activities	20	79,161	89,735
Cash flows from investing activities			
Proceeds from sale of equipment		894	2,017
Purchase of equipment		(30,443)	(45,319)
Interest paid		(4,491)	(4,564)
Deferred consideration paid		-	(575)
Net cash flows from investing activities		(34,040)	(48,441)
Cash flows from financing activities			
Dividends paid		(14,708)	(21,179)
Repayments of borrowings		-	(15,000)
Net cash flows from financing activities		(14,708)	(36,179)
Corporation tax paid		(8,248)	(13,697)
Net increase/(decrease) in cash and cash equivalents		22,165	(8,582)
Cash and cash equivalents at beginning of period		34,630	43,212
Cash and cash equivalents at end of period		56,795	34,630

STATEMENT OF ACCOUNTING POLICIES
For the 52 weeks ended 24 September 2016

The principal accounting policies are summarised below. They have all been applied consistently throughout the current and prior period.

Basis of accounting

Warburtons 1876 Limited (the Company) is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Group's operations and its principal activities are set out in the Strategic Report on page 2.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The prior year financial statements were restated for material adjustments on adoption of FRS 102 in the current period. For more information see note 27.

The functional currency of the Group is considered to be pounds sterling because that is the currency of the primary economic environment in which the Group operates.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Exemptions have been taken in these separate Company financial statements in relation to financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

Accounting period

For all Group companies, every accounting period ends on a Saturday which falls before, or on, 30 September, resulting in an accounting period of either 52 or 53 weeks.

Going concern

The Group continues to operate in an increasingly competitive market; driven by ever changing consumer trends and an improving but still uncertain economic environment. Effective risk management has enabled the Group to achieve a trading result in line with plans. The Group remains exposed to volatility in commodity markets and foreign exchange movements but as highlighted in the Strategic Report the Group has processes in place for managing these risks.

The Group manages its working capital on a pooled basis and has secured bank facilities through to March 2021 and has issued loan notes repayable in three tranches in April 2020, April 2023 and April 2025. The Group has prepared detailed forecasts for a period of at least 12 months from the approval of these financial statements and, taking account of reasonably possible changes in trading performance, these forecasts demonstrate sufficient headroom on banking facilities and covenants. Therefore the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to the last Saturday in September each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

The Company has one indirect subsidiary undertaking which is not considered to be material by the directors and therefore this has been excluded from the consolidated financial statements.

The profit for the 52 week period ended 24 September 2016 dealt with in the financial statements of the Company was £45.5 million (2015: £15.9 million). As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the Parent Company.

Intangible assets – goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and amortised on a straight line basis over its useful economic life, which is between 5 and 20 years. Provision is made for any impairment.

STATEMENT OF ACCOUNTING POLICIES (continued)
For the 52 weeks ended 24 September 2016

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided on all fully commissioned tangible fixed assets, other than land, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, which is as follows:

Freehold buildings	50 years
Long leasehold buildings	50 years
Short leasehold buildings	Term of the lease
Plant and machinery	5-15 years
Motor vehicles	3-10 years

Residual values of fixed assets are calculated on prices prevailing at the date of acquisition. Profits or losses on the disposal of fixed assets are included in the calculation of profit for the financial period.

Investments

Fixed asset investments are shown at cost less provisions for impairment. Current asset investments are stated at the lower of cost and net realisable value.

Associates

In the Group financial statements, the investment in the associate is accounted for using the equity method. The consolidated profit and loss account includes the Group's share of the associate's profits less losses while the Group's share of the net liabilities of the associate is shown in the consolidated balance sheet.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is calculated as a weighted average based on invoices received. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

Pension costs

The Group provides a defined benefit section including both funded and unfunded schemes. The amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other financial costs or credits adjacent to interest, or in other comprehensive income. Actuarial gains and losses are recognised immediately in the statement of total comprehensive income.

STATEMENT OF ACCOUNTING POLICIES (continued)
For the 52 weeks ended 24 September 2016**Pension costs (continued)**

Part of the defined benefit section is funded, with the assets held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, is presented separately after other net assets on the face of the balance sheet.

The Group provides an unfunded top-up pension obligation. In accordance with Section 28 of FRS 102 "Employee benefits" this is accounted for as a post-employment benefit and to the extent that the benefits have already vested the cost has been accounted for as a past service. The valuation of the scheme follows the method adopted for the funded part of the defined benefit section above.

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contribution payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Where a derivative financial instrument has been designated as a hedging instrument the movement arising from the effect of exchange rate movements is recognised as a movement within reserves.

Other exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences on transactions entered into to hedge certain foreign currency risks (see above) which are recognised in other comprehensive income.

Turnover

Turnover comprises the value of sales (excluding VAT, similar taxes, trade discounts and intra-divisional transactions) of goods and services provided in the normal course of business. Revenue is recognised when the goods are despatched, which is the same day on which the goods are delivered and hence is the point at which the risks and rewards of ownership pass to the buyer.

Other operating income

Other operating income comprises income received which is not generated in the normal course of business.

Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Higher purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Further information on future lease commitments is given in note 22.

Government grants

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants are classified as relating either to revenue or to assets. Grants relating to revenue are recognised in income over the period in which the related costs are recognised. Grants relating to assets are recognised over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income.

Finance costs

Finance costs of financial liabilities are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount.

STATEMENT OF ACCOUNTING POLICIES (continued)
For the 52 weeks ended 24 September 2016

Financial instruments

Financial assets and financial liabilities are recognised when the Group (or Company) becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- (b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- (c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
- (d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- (e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
- (f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

STATEMENT OF ACCOUNTING POLICIES (continued)
For the 52 weeks ended 24 September 2016

Financial instruments (continued)

(ii) Equity instruments

Equity instruments issued by the Group are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

(iii) Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk and diesel price movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

(iv) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

(v) Hedge accounting

The Group designates certain derivatives as hedging instruments in cash flow hedges and fair value hedges.

At the inception of the hedge relationship, the entity documents the economic relationship between the hedging instrument and the hedged item, along with its risk management objectives and clear identification of the risk in the hedged item that is being hedged by the hedging instrument. Furthermore, at the inception of the hedge the Group determines and documents causes for hedge ineffectiveness.

Note 18 sets out details of the fair values of the derivative instruments used for hedging purposes.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods in which the hedged item affects profit or loss or when the hedging relationship ends.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time is reclassified to profit or loss when the hedged item is recognised in profit or loss. When a forecast transaction is no longer expected to occur, any gain or loss that was recognised in other comprehensive income is reclassified immediately to profit or loss.

Exceptional items

The Group presents certain items separately as 'exceptional'. These are items which in management's judgement should be disclosed separately by virtue of their size and or nature.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are presented above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

STATEMENT OF ACCOUNTING POLICIES (continued)
For the 52 weeks ended 24 September 2016

Critical accounting judgements and key sources of estimation uncertainty (continued)

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

Revenue is stated after deduction of discounts given or expected to be given. The value of these vary depending on contractual arrangements with individual customers. There are two main types of discounts given:

- a) Volume-related discounts given for achieving sales targets within a contracted period; and
- b) Promotional, marketing and other allowances to support specific promotional activity.

Accruals are made at the time of sale for the estimated level of discounts payable based on: the expected sales to the customer during the period to which the discount relates, historical experience and market information. There is an element of judgement applied to the level of achieved sales within volume-related overrides.

Key source of estimation uncertainty – impairment of fixed assets

Determining whether fixed assets are impaired requires firstly a review of the period to assess whether there have been any trigger events or indicators of impairment, and then an estimation of the value in use of the assets to the Group. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the relevant asset and a suitable discount rate in order to calculate present value.

Impairment is assessed at the level of individual cash-generating units ("CGUs") defined as the smallest identifiable group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Future cash flows are estimated by applying assumptions to budget sales, production costs and overheads over a five year period and applying a growth rate to the forecasted cash flow following the fifth year up to the end of the expected useful life of the asset in question.

Cash flows are discounted using a discount rate based on the Group's weighted average cost of capital. This rate is affected by estimates of interest rates, equity returns and industry and country-related risks.

At 24 September 2016 the carrying value of tangible fixed assets was £219.9 million. Based on a consideration of events in the year and anticipated future cash flows arising from use of the assets no impairment of the asset base is deemed necessary.

Pensions and other post-employment benefits

The Group is a participating employer in two funded defined benefit pension schemes, which are closed to future accrual, the assets of which are held in separate trustee administered funds.

The cost of defined benefit pension schemes is determined based on actuarial valuations that are carried out on a triennial basis. In the intervening periods the actuarial valuation is updated at each period end by a qualified actuary based on assumptions about the future concerning inflation, mortality rates, future salary growth and increases to pension benefits.

At 24 September 2016 the fair value of scheme assets across all schemes was £408.0 million (2015: £344.0 million). The scheme assets consist largely of securities and managed funds whose values are subject to fluctuations in market conditions.

Changes in the actuarial assumptions underlying the benefit obligation, changes in the discount rate applicable to the benefit obligation and the effect of differences between the expected and actual return on the scheme assets are classed as actuarial gains or losses and are recognised within other comprehensive income. During the 52 weeks to 24 September 2016 the Group recognised an actuarial loss net of taxation of £25.0 million (2015: £6.0 million).

An analysis of the assumptions used to determine the defined benefit obligation recognised in the period is given in note 23. Sensitivities within these assumptions are considered by management in forming their judgement on the level of the defined benefit obligation.

STATEMENT OF ACCOUNTING POLICIES (continued)
For the 52 weeks ended 24 September 2016

Critical accounting judgements and key sources of estimation uncertainty (continued)

Self-insurance

The company sets aside monies to provide for losses that occur from employee claims and accidents involving the Group's vehicle fleet. The scheme is underwritten by the Group's external insurers. The level of provision required is assessed based on information obtained from the Group's insurers regarding the number of and size of claims received during the period, and historical experience of the level of claims received in previous financial periods.

At 24 September 2016 the value provided against claims was £4.2 million (2015: £5.4 million).

NOTES TO THE FINANCIAL STATEMENTS
For the 52 weeks ended 24 September 2016

1. TURNOVER AND OPERATING PROFIT

Turnover and operating profit are attributable to one activity, the production and distribution of bakery products, and arise within the United Kingdom.

2. STAFF COSTS

The average monthly number of persons employed by the Group (including executive directors) during the period was as follows:

	52 weeks ended 24 September 2016 Number Employed	52 weeks ended 26 September 2015 Number Employed
Production	2,043	2,163
Distribution	2,309	2,155
Administration	472	508
	<u>4,824</u>	<u>4,826</u>
	£'000	£'000
Employee costs for the Group amounted to:		
Wages and salaries	165,618	165,521
Social security costs	15,207	15,341
Other pension costs	9,083	8,796
	<u>189,908</u>	<u>189,658</u>

The Company does not have any employees (2015: same).

Directors' remuneration

The remuneration of the directors was as follows:

	52 weeks ended 24 September 2016 £'000	52 weeks ended 26 September 2015 £'000
Emoluments	<u>3,476</u>	<u>5,478</u>

Pensions

The number of directors who were members of defined benefit pension schemes was 3 (2015: 3).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the 52 weeks ended 24 September 2016

2. STAFF COSTS (continued)

Highest-paid director

The amounts for remuneration include the following in respect of the highest paid director:

	52 weeks ended 24 September 2016 £'000	52 weeks ended 26 September 2015 £'000
Emoluments	1,462	1,557

The accrued pension entitlement under the Group's defined benefit scheme of the highest paid director at 24 September 2016 was £326,000 per annum (2015: £328,000).

The accrued pension entitlement under the Group's unfunded pension scheme of the highest paid director at 24 September 2016 was £128,000 per annum (2015: £157,500).

3. FINANCE CHARGES (NET)

	52 weeks ended 24 September 2016 £'000	52 weeks ended 26 September 2015 £'000
Bank loans and overdrafts	4,508	4,608
Amortisation of debt issue costs	498	242
Other interest (receivable)/payable	(13)	17
Other finance income – net interest on defined benefit liability (see note 23)	2,000	1,500
(Gains)/losses on diesel commodity forward contracts (see note 18)	(1,101)	367
Gains on forward foreign currency contracts	(23)	(59)
Other foreign exchange movements	18	-
	<u>5,887</u>	<u>6,675</u>

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is stated after charging/(crediting):

	52 weeks ended 24 September 2016 £'000	52 weeks ended 26 September 2015 £'000
Depreciation of tangible fixed assets:		
- owned	29,190	29,636
- held under hire purchase contracts	24	21
Exceptional impairment of tangible and intangible fixed assets (see note 26)	-	7,751
Amortisation and impairment of goodwill	16,800	17,388
Research and development expenses	552	589
Tax credits received on research and development expense	(51)	(452)
Operating lease rentals		
- land and buildings	1,357	1,974
- plant and machinery	1,276	947
- vehicle leasing expenses	1,926	1,892
Loss on disposal of fixed assets	582	202

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the 52 weeks ended 24 September 2016

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (continued)

	52 weeks ended 24 September 2016 £'000	52 weeks ended 26 September 2015 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts:	10	10
Fees payable to the Company's auditor for other services to the Group: - the audit of the Company's subsidiaries pursuant to legislation	150	133
Total audit fees	160	143
Other services pursuant to legislation:		
- tax advisory services	-	62
- other services	-	5
Total non-audit fees	-	67
Fees payable to the Company's auditor in respect of associated pension schemes	-	16
Total	160	226

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	52 weeks ended 24 September 2016 £'000	52 weeks ended 26 September 2015 £'000
Current tax		
UK corporation tax	12,168	11,860
Adjustments in respect of prior years	112	(351)
Total current tax	12,280	11,509
Deferred tax		
Origination and reversal of timing differences	(371)	(999)
Adjustments in respect of prior years	141	(497)
Effect of change in tax rates	(1,922)	(9)
Total deferred tax credit	(2,152)	(1,505)
Total tax charge on profit on ordinary activities	10,128	10,004

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the 52 weeks ended 24 September 2016

5. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

The differences between the total tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

	52 weeks ended 24 September 2016 £'000	52 weeks ended 26 September 2015 £'000
Profit on ordinary activities before tax	39,689	28,678
Tax on profit on ordinary activities at standard UK corporation tax rate of 20% (2015: 20.5%)	7,938	5,879
Effects of:		
Expenses not deductible for tax	4,031	4,248
Deferred tax not recognised	(172)	734
Adjustments in respect of prior years	112	(351)
Adjustments to deferred tax in respect of prior years	141	(497)
Effect of change in tax rates	(1,922)	(9)
Total tax charge	10,128	10,004

The UK government has announced it intends to further reduce the rate of corporation tax to 19% with effect from 1 April 2017 and to 17% from 1 April 2020, which was approved by the House of Commons on 15 September 2016. The impact of the change is reflected in the tax provisions reported in these financial statements.

The net deferred tax expected to reverse during the year ending 30 September 2017 is anticipated to be immaterial.

6. DIVIDENDS PAID AND PROPOSED ON SHARES

	52 weeks ended 24 September 2016 £'000	52 weeks ended 26 September 2015 £'000
Ordinary shares		
- interim dividend paid £nil (2015: £4.40) per share	-	6,472
- interim dividend paid of £10.00 per share (2015: £10.00)	14,708	14,707
	14,708	21,179

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the 52 weeks ended 24 September 2016

7. INTANGIBLE FIXED ASSETS – GOODWILL

Group	Goodwill £'000
Cost	
At 26 September 2015 and at 24 September 2016	338,292
Amortisation	
At 26 September 2015	48,048
Charge for the period	16,800
At 24 September 2016	64,848
Net book value	
At 26 September 2015	290,244
At 24 September 2016	273,444

In the prior period an exceptional impairment charge of £1.6 million was recognised to write off in full the goodwill associated with one of the Group's Cash Generating Units ("CGUs"). The directors believe that the CGU will return to longer term profitability; however the discounted expected future cash flows, over the remaining useful economic life of the goodwill, did not support the carrying value. No further impairment has been indicated in the current period.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the 52 weeks ended 24 September 2016

8. TANGIBLE FIXED ASSETS

Group	Land and buildings					Total £'000
	Freehold £'000	Long leasehold £'000	Short leasehold £'000	Plant and machinery £'000	Motor vehicles £'000	
Cost						
At 26 September 2015	90,034	1,875	4,450	347,490	43,879	487,728
Additions	1,797	-	66	23,042	5,538	30,443
Disposals	(100)	-	(680)	(4,867)	(4,281)	(9,928)
At 24 September 2016	91,731	1,875	3,836	365,665	45,136	508,243
Depreciation						
At 26 September 2015	25,451	684	2,773	213,706	24,995	267,609
Charge for the period	2,695	58	325	22,256	3,880	29,214
Disposals	(39)	-	(730)	(3,426)	(4,257)	(8,452)
At 24 September 2016	28,107	742	2,368	232,536	24,618	288,371
Net book value						
At 26 September 2015	64,583	1,191	1,677	133,784	18,884	220,119
At 24 September 2016	63,624	1,133	1,468	133,129	20,518	219,872
Assets held under finance leases included above:						
Net book value						
At 26 September 2015	-	-	-	340	26	366
At 24 September 2016	-	-	-	1	-	1

In the prior period an exceptional tangible fixed asset impairment charge of £6.2 million was recognised to reduce the value of one of the Group's Cash Generating Units ("CGU"). The directors believe that the CGU will return to longer term profitability; however the discounted expected future cash flows over the remaining useful economic life of the assets did not support the carrying value. Consequently the fixed assets related to the CGU were written down to their estimated recoverable value. No further impairment is deemed necessary in the current period.

9. FIXED ASSET INVESTMENTS

The following are included in the net book value of fixed asset investments:

	24 September 2016		26 September 2015	
	Group £'000	Company £'000	Group £'000	Company £'000
Subsidiary undertakings	-	439,931	-	439,931
Associates	157	-	188	-
Other investments	2	-	2	-
	159	439,931	190	439,931

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the 52 weeks ended 24 September 2016

9. FIXED ASSET INVESTMENTS (continued)

Group investments

The parent Company and the Group have investments in the following subsidiary undertakings and associates which principally affected the profits or net assets of the Group. To avoid a statement of excessive length, details of other investments which are not significant have been omitted. All shareholdings in subsidiary and associated undertakings are in ordinary shares.

Subsidiary	Country of Incorporation	Principal activity	Holding
Warburtons Holdings Limited	England and Wales	Intermediate holding company	100%
Alliedtropic Limited	England and Wales	Holding company for trademarks	100%

On 20 September 2016, the Company acquired the entire share capital of Alliedtropic Limited from its subsidiary company Warburtons Holdings Limited, for a consideration of £100. No gain or loss arose on the transaction.

Subsidiaries of Warburtons Holdings Limited

Warburtons Limited	England and Wales	Production and distribution of branded bakery products	100%
Warburtons Foods Limited	Canada	Technical services	100%
RBJ Foods Limited	England and Wales	Guarantor of operating leases held by Lyndale Foods Limited	100%
Warburtons Asset Management Ltd	England and Wales	Dormant	100%
Burneys Limited	England and Wales	Production and distribution of bakery products	100%
Giles Foods Limited	England and Wales	Production and distribution of bakery products	100%

Associates of Warburtons Limited

Bakers Basco Limited	England and Wales	Provision of baskets	20%
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Warburtons Foods Limited is excluded from consolidation as obtaining the information necessary to include the results within the Group results would lead to disproportionate expense and undue delay. The results of this company are highly immaterial in the context of the Group.

10. STOCKS

The following are included in the net book value of stocks:

	24 September 2016 £'000	26 September 2015 £'000
Group		
Raw materials and consumables	5,678	6,794
Finished goods	732	668
	<u>6,410</u>	<u>7,462</u>

In the opinion of the directors, there is no material difference between the balance sheet value of stocks and their replacement cost.

The value of stock expensed to the profit and loss account in the period was £161.0 million (2015: £183.9 million).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the 52 weeks ended 24 September 2016

11. DEBTORS

The following are included in debtors:

	24 September 2016		26 September 2015	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	64,844	-	74,965	-
Amounts due from Group undertakings	-	106,640	-	76,028
VAT	2,672	-	3,263	-
Other debtors	29	-	-	-
Prepayments and accrued income	5,397	-	6,250	-
Deferred tax asset (see note 23)	13,070	783	10,600	-
Derivative financial assets (see note 18)	7,532	3,695	-	-
	<u>93,544</u>	<u>111,118</u>	<u>95,078</u>	<u>76,028</u>

12. CURRENT ASSET INVESTMENTS

Group	24 September 2016	26 September 2015
	£'000	£'000
Unlisted investments	<u>1,675</u>	<u>1,675</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

The following amounts are included in creditors falling due within one year:

	24 September 2016		26 September 2015	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Trade creditors	15,682	-	22,717	-
UK corporation tax payable	6,224	-	2,345	-
Other taxation and social security	3,249	-	3,835	-
Other creditors	2,786	-	3,026	-
Accruals and deferred income	61,548	1,779	72,515	1,685
Lease creditor	-	-	13	-
Derivative financial liabilities (see note 18)	-	-	1,017	31
	<u>89,489</u>	<u>1,779</u>	<u>105,468</u>	<u>1,716</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the 52 weeks ended 24 September 2016

14. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	24 September 2016		26 September 2015	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Bank loans (see note 15)	132,051	132,051	123,572	123,954

15. BANK LOANS

	24 September 2016		26 September 2015	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Loan notes (value at inception)	124,505	124,505	124,505	124,505
Less: issue costs thereon	(765)	(765)	(831)	(449)
Retranslation of notes denominated in foreign currency	8,311	8,311	(102)	(102)
	132,051	132,051	123,572	123,954

The loan notes balance is the amount drawn down in three separate tranches totalling £124.5 million in aggregate. The loan notes are repayable in full in three tranches, \$75.0 million on 30 April 2020, £37.5 million on 30 April 2023 and £37.5 million on 30 April 2025. Interest is payable on the three tranches at 3.04%, 3.36% and 3.51% respectively. The loan notes are secured on certain fixed assets of the Group. A cross currency swap is in place to mitigate movements in foreign currency exchange rates; the fair value of the swap is included in note 11 as a derivative financial asset (2015: note 13 as a derivative financial liability).

During the period the Group Revolving Credit Facility ("RCF") loan facilities were reviewed and extended. The loan was novated to Warburtons 1876 Limited from Warburtons Holdings Limited as at 21 March 2016.

The Group RCF of £80 million is undrawn at 24 September 2016. This facility has a five year term through to 31 March 2021. Interest is payable of LIBOR + 0.25%-0.5% of the drawn balance. The RCF if drawn will be secured on certain fixed assets of the Group.

Borrowings are repayable as follows:

	24 September 2016		26 September 2015	
	Group	Company	Group	Company
	£'000	£'000	£'000	£'000
Bank loans and loan notes				
Less than 1 year	-	-	-	-
Between one and two years	-	-	-	-
Between two and five years	57,816	57,816	-	-
After five years	75,000	75,000	124,403	124,403
Less: issue costs	(765)	(765)	(831)	(449)
	132,051	132,051	123,572	123,954

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the 52 weeks ended 24 September 2016

16. PROVISIONS FOR LIABILITIES

	Deferred taxation £'000	Property provision £'000	Total £'000
Group			
At 26 September 2015	13,128	267	13,395
Credited to profit and loss account	(2,152)	(85)	(2,237)
Credited to other comprehensive income	(859)	-	(859)
	<u>10,117</u>	<u>182</u>	<u>10,299</u>
At 24 September 2016			Deferred taxation £'000
			14
			(14)
			<u>-</u>
At 24 September 2016			<u>-</u>

Deferred tax

Deferred tax is provided as follows:

	2016 £'000	2015 £'000
Group		
Accelerated capital allowances	11,108	13,470
Other timing differences	(991)	(342)
	<u>10,117</u>	<u>13,128</u>

The movement on the deferred taxation provision comprises:

	£'000
At 26 September 2015	13,128
Movement in the period	(3,011)
At 24 September 2016	<u>10,117</u>

Deferred tax in respect of the Group's defined benefit pension scheme is disclosed separately in notes 11 and 23.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the 52 weeks ended 24 September 2016

16. PROVISIONS FOR LIABILITIES (continued)

	2016	2015
	£'000	£'000
Company		
Deferred taxation asset/(liability) relating to other timing differences	783	(9)
	<u>783</u>	<u>(9)</u>
The movement on the deferred taxation provision comprises:		
		£'000
At 26 September 2015		(14)
Credited to other comprehensive income		797
		<u>797</u>
At 24 September 2016		783
		<u>783</u>

Property provision

The movement in the property provision comprises:

	£'000
Group	
At 26 September 2015	267
Release of unused provision	(85)
	<u>182</u>
At 24 September 2016	182
	<u>182</u>

The Group guarantees a number of operating leases entered into by certain subsidiary undertakings of another company in which the Group has an investment.

The Board has concluded that it is probable that the guarantees will be called in and in accordance with Section 21 of FRS 102, Provisions and Contingencies, a provision has been made. This provision is expected to be utilised over the next two years as the leases guaranteed by Warburtons Limited expire on dates leading up to September 2018.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the 52 weeks ended 24 September 2016

17. FINANCIAL INSTRUMENTS

The carrying values of the Group and Company's financial assets and liabilities are summarised by category below:

	Group		Company	
	24	26	24	26
	September	September	September	September
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Financial assets				
Measured at fair value through profit and loss				
• Derivative financial assets (see note 18)	164	-	-	-
Measured at fair value and designated in an effective hedging relationship				
• Derivative financial assets (see note 18)	7,368	-	3,695	-
Measured at undiscounted amount receivable				
• Trade and other debtors (see note 11)	86,012	95,078	107,423	76,028
• Investment in associates (see note 9)	157	188	-	-
Equity instruments measured at cost less impairment				
• Fixed asset investments in unlisted equity instruments	2	2	439,931	439,931
• Current asset unlisted investments (note 12)	1,675	1,675	-	-
	<u>95,378</u>	<u>96,943</u>	<u>551,049</u>	<u>515,959</u>
Financial liabilities				
Measured at fair value through profit and loss				
• Derivative financial liabilities (see note 18)	-	(960)	-	-
Measured at fair value and designated in an effective hedging relationship				
• Derivative financial liabilities (see note 18)	-	(57)	-	(31)
• Loans payable (see note 15)	(132,051)	(132,051)	(123,572)	(123,954)
Measured at amortised cost				
• Obligations under finance leases (see note 13)	-	(13)	-	-
Measured at undiscounted amount payable				
• Trade and other creditors (see note 13)	(88,749)	(104,438)	(1,779)	(1,685)
	<u>(220,800)</u>	<u>(237,519)</u>	<u>(125,351)</u>	<u>(125,670)</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the 52 weeks ended 24 September 2016

17. FINANCIAL INSTRUMENTS (continued)

The Group's income, expense, gains and losses in respect of financial instruments are summarised below:

	Group		Company	
	52 weeks to 24 September 2016 £'000	52 weeks to 26 September 2015 £'000	52 weeks to 24 September 2016 £'000	52 weeks to 26 September 2015 £'000
Interest income and expense				
Total interest expense for financial liabilities at amortised cost	(5,010)	(4,867)	(4,398)	(4,146)
Fair value gains and losses				
On financial assets/(liabilities) (including listed investments) measured at fair value through profit or loss (see note 18)	1,124	(308)	-	-
On derivative financial assets designated in an effective hedging relationship (see note 18)	(988)	338	(4,687)	(1,477)

18. DERIVATIVE FINANCIAL INSTRUMENTS

	Book and fair value	
	2016 £'000	2015 £'000
Group		
Derivatives that are designated and effective as hedging instruments carried at fair value		
Assets		
Cross currency swap contract	7,368	-
Liabilities		
Cross currency swap contract	-	(57)
Derivatives that are measured at fair value through profit and loss		
Assets		
Diesel commodity swap contracts	149	-
Forward foreign currency contracts	15	-
	164	-
Liabilities		
Forward foreign currency contracts	-	(8)
Diesel commodity swap contracts	-	(952)
	-	(960)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the 52 weeks ended 24 September 2016

18. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

	Book and fair value	
	2016	2015
	£'000	£'000
Company		
Derivatives that are designated and effective as hedging instruments carried at fair value		
Assets		
Cross currency swap contract	3,695	-
Liabilities		
Cross currency swap contract	-	(31)

Cross currency swap contracts and forward foreign currency contracts are valued using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.

Diesel commodity forward contracts are valued using quoted diesel prices and yield curves derived from quoted diesel prices matching maturities of the contracts.

Group

Cross currency swap contracts

The following table details the cross currency swap contracts outstanding as at the year-end:

Outstanding contracts	Average contractual exchange rate		Notional value		Fair value	
	2016	2015	2016	2015	2016	2015
	GBP:USD	GBP:USD	£'000	£'000	£'000	£'000
Swap GB Pounds for US Dollars						
2 to 5 years	1:1.515	1:1.515	49,505	49,505	7,368	(57)

The Group has entered into loan notes denominated in US dollars. The Group has entered into a cross currency swap contracts to hedge the exchange rate risk arising from the contracted future transactions, which are designated as hedges of foreign exchange risk in a highly probable forecast transaction.

Losses of £988,000 (2015: gains of £338,000) were recognised in other comprehensive income for the period.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the 52 weeks ended 24 September 2016

18. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Forward foreign currency contracts

The following table details the forward foreign currency contracts outstanding as at the period-end:

Outstanding contracts	Average contractual exchange rate		Notional value		Fair value	
	2016 GBP:USD	2015 GBP:USD	2016 £'000	2015 £'000	2016 £'000	2015 £'000
<i>Buy US Dollars</i>						
Less than 3 months	n/a	1.5482	-	1,936	-	43
	2016 GBP:CAD	2015 GBP:CAD	2016 £'000	2015 £'000	2016 £'000	2015 £'000
<i>Buy Canadian Dollars</i>						
Less than 3 months	1,9401	1.9413	103	1,233	15	(51)
					<u>15</u>	<u>(8)</u>

The Group has entered into contracts to purchase goods denominated in US and Canadian Dollars. The Group has entered into forward foreign currency contracts to mitigate the exchange rate risk arising from the contracted future transactions.

Gains of £23,000 (2015: gains of £59,000) in excess of the fair value of hedging instruments over the change in the fair value of expected cash flows were recognised in profit or loss.

Diesel commodity forward contracts

The following table details the diesel commodity forward contracts outstanding as at the period-end:

Outstanding contracts	Average contractual price		Notional value		Fair value	
	2016 £/litre	2015 £/litre	2016 £'000	2015 £'000	2016 £'000	2015 £'000
<i>Buy Diesel</i>						
Less than 12 months	0.321	0.451	4,651	8,596	149	(952)

The Group has entered into contracts to purchase diesel in GB Pounds. The Group has entered into forward contracts to mitigate the contract risk arising from the contracted future transactions.

Gains of £1,101,000 (2015: losses of £367,000) in excess of the fair value of hedging instruments over the change in the fair value of expected cash flows were recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the 52 weeks ended 24 September 2016

18. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Company

Cross currency swap contracts

The following table details the cross currency swap contracts outstanding as at the year-end:

Outstanding contracts	Average contractual exchange rate		Notional value		Fair value	
	2016	2015	2016	2015	2016	2015
	GBP:USD	GBP:USD	£'000	£'000	£'000	£'000
<i>Swap GB Pounds for US Dollars</i>						
2 to 5 years	1:1.515	1:1.515	24,753	24,753	3,695	(31)

The Company has entered into loan notes denominated in US dollars. The Company has entered into a cross currency swap contracts to hedge the exchange rate risk arising from the contracted future transactions, which are designated as hedges of foreign exchange risk in a highly probable forecast transaction.

Losses of £4,687,000 (2015: losses of £1,477,000) were recognised in other comprehensive income for the period.

19. CALLED-UP SHARE CAPITAL

A summary of the authorised and issued share capital at 24 September 2016 is set out below:

	2016 Nominal value £'000	2016 Number	2015 Nominal value £'000	2015 Number
Ordinary shares, £0.01 each, allotted, called-up and fully paid				
- At 24 September 2016 and 26 September 2015	15	1,470,801	15	1,470,801

20. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	52 weeks ended 24 September 2016 £'000	52 weeks ended 26 September 2015 £'000
Profit on ordinary activities before finance charges	45,576	35,353
Depreciation, amortisation and impairment	46,014	54,796
Loss on disposal of fixed assets	582	202
Decrease/(increase) in stocks	1,052	(483)
Decrease in debtors	2,378	2,960
Decrease in creditors	(13,829)	(1,492)
Decrease in provisions	(2,612)	(1,601)
Net cash inflow from operating activities	79,161	89,735

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the 52 weeks ended 24 September 2016

21. ANALYSIS AND RECONCILIATION OF NET DEBT

	26 September 2015 £'000	Cash flow £'000	Amortisation of debt costs £'000	Retranslation of loan £'000	24 September 2016 £000
Cash at bank and in hand	34,630	22,165	-	-	56,795
Debt due after 1 year	(123,573)	-	(269)	(8,209)	(132,051)
	<u>(88,943)</u>	<u>22,165</u>	<u>(269)</u>	<u>(8,209)</u>	<u>(75,256)</u>
				24 September 2016 £'000	26 September 2015 £'000
Increase/(decrease) in cash in the period				22,165	(8,582)
Effect of foreign exchange rate changes				(8,209)	101
Cash (inflow)/outflow from movement in debt				<u>(269)</u>	<u>14,851</u>
Movement in net debt				13,687	6,370
Net debt at 26 September 2015				<u>(88,943)</u>	<u>(95,313)</u>
Net debt at 24 September 2016				<u>(75,256)</u>	<u>(88,943)</u>

22. FINANCIAL COMMITMENTS

(a) Capital commitments

At 24 September 2016, capital commitments were:

Group	2016 £'000	2015 £'000
Contracted for but not provided for	<u>1,219</u>	<u>7,208</u>

(b) Non-cancellable operating leases

The total commitments under non-cancellable operating leases are as follows:

	24 September 2016		26 September 2015	
Group	Property £'000	Other £'000	Property £'000	Other £'000
Operating leases which expire				
- within 1 year	1,943	2,856	1,848	2,613
- within 2-5 years	6,515	8,208	6,336	8,910
- after 5 years	8,286	635	4,957	909
	<u>16,744</u>	<u>11,699</u>	<u>13,141</u>	<u>12,432</u>

Leases of land and buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the 52 weeks ended 24 September 2016

23. RETIREMENT BENEFIT SCHEMES

Defined contribution schemes

The Group operates defined contribution retirement benefit schemes for all qualifying employees. The total charge in the period was £7,919,257 (2015: £6,678,700). There were £1,019,400 contributions outstanding at 24 September 2016 (2015: £1,165,700).

Unfunded scheme

The Group provides an Unfunded Unapproved Retirement Benefit Scheme (UURBS) as a top-up pension promise relating to current active members of the Warburtons Executive Retirement Benefits Scheme (WERBS). In accordance with Section 28 of FRS 102 "Employee benefits" this is accounted for as a post-employment benefit and to the extent that the benefits have already vested the cost has been accounted for as a past service. The scheme was last assessed on 24 September 2016 by an independent qualified actuary using the Projected Unit Credit Method. The assumptions used are consistent with those used for the WERBS as described below.

Defined benefit schemes

The Group is a participating employer in two defined benefit pension schemes, which are closed to future accrual, the assets of which are held in separate trustee administered funds. The schemes are funded schemes.

The Warburtons Limited Pension and Life Assurance Plan (WPLAP) was last assessed on 5 April 2013 by an independent qualified actuary using the Projected Unit Credit Method. The market value of the scheme's assets at the last valuation was £241.7 million, the value of which represented 82% of the members' accrued benefits allowing for future earnings increases. The main assumptions used were that the discount rate was the Market Implied Gilt Curve plus 2.0% (before retirement) and the Market Implied Gilt Curve plus 0.3% (after retirement) per annum, pensionable earnings increases were the RPI Inflation Curve plus 0.5% per annum and that inflation was the RPI Inflation Curve and the RPI Inflation Curve less 0.8% (CPI) per annum. WPLAP is closed to future accrual.

The Warburtons Executive Retirement Benefits Scheme (WERBS) was last assessed on 5 April 2015 by an independent qualified actuary using the Projected Unit Credit Method. The market value of the scheme's assets at the last valuation was £50.8m, the value of which represented 80.3% of the members' accrued benefits allowing for future earnings increases. The main assumptions used were that the discount rate was based on the appropriate gilt yield curve, pensionable earnings increases were based on CPI plus an allowance to maximise the annual benefit accrual in line with HMRC Annual Allowance Rules and that inflation was based on the rate of RPI or CPI. WERBS is closed to future accrual.

The actuarial valuations described above have been updated at 24 September 2016 by a qualified actuary using revised assumptions that are consistent with the requirements of Section 28 of FRS 102. Investments have been valued, for this purpose, at fair value.

The major assumptions used for the actuarial valuations of the schemes were:

	2016 %	2015 %
Discount rate	2.40	3.80
Inflation (RPI)	3.20	3.30
Salary growth (WPLAP)	3.70	3.80
Salary growth (WERBS)	1.80	3.30
Allowance for pension payment increase	2.10-3.20	2.40-3.30
Allowance for commutation of pension for cash at retirement	10-25% of pension	10-25% of pension

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the 52 weeks ended 24 September 2016

23. RETIREMENT BENEFIT SCHEMES (continued)

Mortality assumptions:

Investigations have been carried out within the past three years into the mortality experience of the Group's defined benefit schemes. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	WPLAP valuation at		WERBS valuation at	
	2016	2015	2016	2015
	years	years	years	years
Retiring today:				
Males	21.3	22.0	24.6	27.9
Females	23.6	24.2	25.7	28.3
Retiring in 20 years:				
Males	23.0	24.3	26.8	30.1
Females	25.5	26.5	28.2	30.7

Amounts recognised in the profit and loss account in respect of these defined benefit schemes are as follows:

	Combined		WPLAP		WERBS		UURBS	
	2016	2015	2016	2015	2016	2015	2016	2015
	£m	£m	£m	£m	£m	£m	£m	£m
Expenses of scheme	0.8	0.8	0.8	0.8	-	-	-	-
Current service cost	0.7	-	-	-	-	-	0.7	-
Net interest cost								
- after 5 years	2.0	1.5	1.5	1.5	-	-	0.5	-
Total expense recognised in profit and loss account	3.5	2.3	2.3	2.3	-	-	1.2	-
Recognised in other comprehensive income	3.5	2.3	2.3	2.3	-	-	1.2	-

The amount included in the actuarial remeasurement of the net defined benefit liability shown in other comprehensive income is as follows:

	Combined		WPLAP		WERBS		UURBS	
	2016	2015	2016	2015	2016	2015	2016	2015
	£m	£m	£m	£m	£m	£m	£m	£m
Return on scheme assets	63.6	16.2	59.6	14.1	4.0	2.1	-	-
Experience gains and (losses) on scheme liabilities	(0.8)	1.4	-	1.2	(2.0)	0.2	1.2	-
Change in scheme liabilities	(94.4)	(22.3)	(84.1)	(20.2)	(7.9)	(2.1)	(2.4)	-
Limit on recognition of surplus gain/(loss)	3.2	(2.7)	-	-	3.2	(2.7)	-	-
Net actuarial gains/(losses) shown in other comprehensive income	(28.4)	(7.4)	(24.5)	(4.9)	(2.7)	(2.5)	(1.2)	-

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the 52 weeks ended 24 September 2016

23. RETIREMENT BENEFIT SCHEMES (continued)

The amount included in the balance sheet arising from the Company's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	Combined		WPLAP		WERBS		UURBS	
	2016	2015	2016	2015	2016	2015	2016	2015
	£m	£m	£m	£m	£m	£m	£m	£m
Present value of defined benefit obligations	(484.6)	(393.3)	(423.8)	(334.8)	(46.2)	(46.3)	(14.6)	(12.2)
Fair value of scheme assets	408.0	344.0	361.5	294.3	46.5	49.7	-	-
Surplus/(deficit) in plan	(76.6)	(49.3)	(62.3)	(40.5)	0.3	3.4	(14.6)	(12.2)
Unrecognised surplus	(0.3)	(3.4)	-	-	(0.3)	(3.4)	-	-
Net liability recognised in the balance sheet	<u>(76.9)</u>	<u>(52.7)</u>	<u>(62.3)</u>	<u>(40.5)</u>	<u>-</u>	<u>-</u>	<u>(14.6)</u>	<u>(12.2)</u>
Deferred tax asset arising on above (see note 11)	<u>13.1</u>	<u>10.6</u>	<u>10.6</u>	<u>8.2</u>	<u>-</u>	<u>-</u>	<u>2.5</u>	<u>2.4</u>

Movements in the present value of defined benefit obligations were as follows:

	Combined		WPLAP		WERBS		UURBS	
	2016	2015	2016	2015	2016	2015	2016	2015
	£m	£m	£m	£m	£m	£m	£m	£m
At 26 September 2015	393.2	365.6	334.7	309.6	46.3	43.8	12.2	12.2
Service cost	0.7	-	-	-	-	-	0.7	-
Expenses	0.8	0.7	0.8	0.7	-	-	-	-
Interest cost	14.8	14.4	12.7	12.6	1.6	1.8	0.5	-
Actuarial gains and losses	95.2	20.9	84.1	19.0	9.9	1.9	1.2	-
Benefits paid	(9.2)	(8.3)	(8.5)	(7.1)	(0.7)	(1.2)	-	-
Liabilities extinguished on settlements	<u>(10.9)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10.9)</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 24 September 2016	<u>484.6</u>	<u>393.3</u>	<u>423.8</u>	<u>334.8</u>	<u>46.2</u>	<u>46.3</u>	<u>14.6</u>	<u>12.2</u>

On 22 April 2016, in the WERBS scheme, there was a conversion of a pensioner buy-in policy to a buy-out policy, extinguishing £10.9 million of scheme obligations. An equivalent amount was distributed from scheme assets being the value of the insurance policy included within the scheme assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the 52 weeks ended 24 September 2016

23. RETIREMENT BENEFIT SCHEMES (continued)

Movements in the fair value of scheme assets were as follows:

	Combined		WPLAP		WERBS		UURBS	
	2016	2015	2016	2015	2016	2015	2016	2015
	£m	£m	£m	£m	£m	£m	£m	£m
At 26 September 2015	344.0	315.6	294.3	271.2	49.7	44.4	-	-
Interest income	12.8	12.8	11.1	11.0	1.7	1.8	-	-
Actuarial gains and losses	63.6	16.2	59.6	14.1	4.0	2.1	-	-
Contributions from the employer	7.7	7.7	5.0	5.1	2.7	2.6	-	-
Benefits paid	(9.2)	(8.3)	(8.5)	(7.1)	(0.7)	(1.2)	-	-
Assets distributed on settlements	(10.9)	-	-	-	(10.9)	-	-	-
At 24 September 2016	<u>408.0</u>	<u>344.0</u>	<u>361.5</u>	<u>294.3</u>	<u>46.5</u>	<u>49.7</u>	<u>-</u>	<u>-</u>

The analysis of the scheme assets at the balance sheet date was as follows:

	Combined		WPLAP		WERBS		UURBS	
	2016	2015	2016	2015	2016	2015	2016	2015
	£m	£m	£m	£m	£m	£m	£m	£m
Equity	42.7	49.2	42.7	46.6	-	2.6	-	-
Index linked bonds	33.5	28.9	33.5	28.9	-	-	-	-
Diversified growth/ Liability								
Driven Investment funds	281.0	243.3	266.8	218.4	14.2	24.9	-	-
Cash and other	50.8	22.6	18.5	0.4	32.3	22.2	-	-
Total assets	<u>408.0</u>	<u>344.0</u>	<u>361.5</u>	<u>294.3</u>	<u>46.5</u>	<u>49.7</u>	<u>-</u>	<u>-</u>

24. RELATED PARTIES

Directors' transactions

The Company's subsidiary Warburtons Limited provides consultancy services to Dalveen Enterprises Limited on an arm's length basis, of which W. R. Warburton is a director. Total transactions for the period were sales of £120,000 (2015: £300,000) and the balance outstanding at the period end comprised trade debtors of £20,000 (2015: £100,000).

The Company has taken advantage of the exemption included in FRS 102.33 "Related Party Disclosures" for wholly owned subsidiaries not to disclose transactions with entities that are part of the Group.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the 52 weeks ended 24 September 2016

24. RELATED PARTIES (continued)

The directors and their related parties received the following dividends from the Company in the current and prior period:

	2016 £'000	2015 £'000
J Warburton and related parties	2,716	3,911
W Brett Warburton and related parties	3,784	5,449
W Ross Warburton and related parties	5,485	7,898
	<u>11,985</u>	<u>17,258</u>

Other related party transactions

The total remuneration for key management personnel for the period totalled £5.2 million (2015: £5.5 million) being remuneration for the directors of Warburtons Limited disclosed in the financial statements of that company. The directors do not consider there to be any other key management personnel requiring to be disclosed.

As disclosed in note 9, Warburtons Limited has a 20% interest in the share capital of Bakers Basco Limited. During the period, Warburtons Limited traded on an arm's length basis with Bakers Basco Limited. Total transactions for the period were purchases of £2,266,912 (2015: £2,607,214). The balance outstanding at 24 September 2016 in respect of Bakers Basco Limited was £nil (2015: debtor of £4,578).

25. CONTROLLING PARTY

The directors are of the opinion that there is no ultimate controlling party.

26. EXCEPTIONAL ITEMS

	Impairment charges	
	52 weeks ended 24 September 2016 £'000	52 weeks ended 26 September 2015 £'000
Impairment of intangible fixed assets - goodwill (note 7)	-	(1,557)
Impairment of tangible fixed assets (note 8)	-	(6,194)
	<u>-</u>	<u>(7,751)</u>

In the prior period an exceptional impairment charge of £7.8 million was recognised to reduce the value of the goodwill and tangible fixed assets of one of the Group's Cash Generating Units ("CGU"). The directors believe that it will return to longer term profitability; however, the discounted expected future cash flows over the remaining useful lives of the related assets did not support the carrying value. Consequently the goodwill and tangible fixed assets of the CGU were written down to their estimated recoverable value. No further impairment is deemed necessary in the current period.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the 52 weeks ended 24 September 2016

27. EXPLANATION OF TRANSITION TO FRS 102

This is the first period that the Group has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The following disclosures are required in the period of transition. The last financial statements under previous UK GAAP were for the year ended 26 September 2015 and the date of transition to FRS 102 was therefore 28 September 2014. As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with that standard.

Reconciliation of shareholders' funds

Note	Group		Company	
	At 28 September 2014 £'000	At 26 September 2015 £'000	At 28 September 2014 £'000	At 26 September 2015 £'000
Shareholders' funds reported under previous UK GAAP	368,057	359,435	395,545	390,224
Adjustments to shareholders' funds on transition to FRS 102				
1 Retranslation of loan denominated in foreign currency	3,337	101	3,337	101
2 Recognition of Cross Currency swap	(3,631)	(57)	(1,790)	(31)
3 Recognition of Diesel forward contracts	(585)	(952)	-	-
4 Recognition of forward foreign currency contracts	(67)	(8)	-	-
5 Recognition of holiday pay as an asset	303	351	-	-
6 Deferred tax impact of above	129	103	(309)	(14)
7 Deferred tax liability recognised on non-qualifying fixed assets	(5,108)	(4,693)	-	-
Shareholders' funds reported under FRS 102	362,435	354,280	396,783	390,280

Notes to the reconciliation of shareholders' funds at 28 September 2014 and 26 September 2015

- To recognise the movement in the value of the loan notes denominated in USD at spot rate as at the period end date as required by FRS 102.12.
- To recognise the value of the cross currency swap on the balance sheet at fair value as required by FRS 102.12.
- To recognise the value of diesel swap contracts on the balance sheet at fair value as required by FRS 102.12.
- To recognise the value of forward currency contracts on the balance sheet at fair value as required by FRS 102.12.
- To recognise a prepayment for the value of holidays taken by staff in excess of the entitlement up to 26 September 2015 as required by FRS 102.28.
- Net deferred tax impact calculated from the above adjustments.
- To recognised the deferred tax liability arising under FRS 102.29 on assets not qualifying for capital allowances acquired through a business combination relating to the acquisition by the Company of the Warburtons Holdings Limited Group on 30 April 2013.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the 52 weeks ended 24 September 2016

27. EXPLANATION OF TRANSITION TO FRS 102 (continued)

Reconciliation of profit or loss for the 52 week period ended 26 September 2015

Note		Group £'000	Company £'000
	Profit for the financial period under previous UK GAAP	22,877	15,858
1	Diesel swap contracts	(367)	-
2	Forward foreign currency contracts	59	-
3	Holiday pay adjustment	48	-
4	Change to return on scheme assets calculation	(5,500)	-
5	Tax impact of above	1,142	-
6	Deferred tax credit on non-qualifying fixed assets movement	415	-
	Profit for the financial period under FRS 102	18,674	15,858

Notes to the reconciliation of profit or loss for the 52 week period ended 26 September 2015

- 1 To recognise the loss in the period in the value of diesel swap contracts through the profit and loss account as required by FRS 102.12.
- 2 To recognise the gain in the period in the value of forward foreign currency contracts through the profit and loss account as required by FRS 102.12.
- 3 To recognise the movement in the period of the value of the prepayment for holidays taken by staff in excess of the entitlement up to 26 September 2016 as required by FRS 102.28.
- 4 To recognise the change to return on scheme assets arising from the change in calculation method required by FRS 102.28, to restrict the return in the profit and loss account to the discount rate applied to the scheme liabilities.
- 5 Net impact on tax charge for the period calculated from the above adjustments.
- 6 To recognise the deferred tax credit unwinding of the deferred tax liability on assets not qualifying for capital allowances acquired through a business combination described above in note 7 of the reconciliation of shareholders' funds above.