

Company Registration No. 00178711

WARBURTONS LIMITED

Annual Report and Financial Statements

For the 53 week period ended 30 September 2017

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**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE 53 WEEK PERIOD
ENDED 30 SEPTEMBER 2017**

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COMPANY OFFICERS

DIRECTORS

Jonathan Warburton (Chairman)
W. Brett Warburton
W. Ross Warburton
Andrew Neil Campbell
David Andrew Light
Nigel Dunlop
Mark Allen (appointed 1st January 2017)

COMPANY SECRETARY

John Healey

REGISTERED OFFICE

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

BANKERS

Natwest
24 Deansgate
Bolton
Lancashire
BL1 1BN

AUDITORS

Deloitte LLP
2 Hardman Street
Manchester
M60 2AT

STRATEGIC REPORT

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the Company is the production and distribution of branded 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, as at the date of the report, of any likely changes in the Company's activities in the next period.

Business review

In the period under review profit has declined. Revenues have been held largely due to growth in non-bread products as we continue to innovate and develop new product ranges. The wrapped bakery market remains very competitive with the continuing decline in the core market compounded this year by increased input costs. Recovery of input costs did not take place in the year under review and will be carefully considered to ensure we minimise the impact on the customer and consumer going forward.

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. This continuing innovation and investment in new capability will ensure we are well placed for future progress.

During the period the Warburtons Executive Retirement Benefits Scheme ("WERBS") has discharged its entire defined benefit obligation, with the balance of assets transferring to the Warburtons Limited Pension and Life Assurance Plan ("WPLAP") as part of the scheme merger. As a consequence the payment of annual contributions to WERBS has ceased and the scheme will be wound up. Refer to note 16 to the financial statements for more information.

Information regarding the going concern basis of preparation is disclosed in the Statement of Accounting Policies on page 14.

Results and financial performance

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

Turnover of £524.7 million for the period (2016: £526.3 million) represented a decrease in sales of 0.3%.

Operating profit fell by 36.7% to £22.4 million. This is mainly due to increased material costs within the business.

Profit before tax of £20.7 million was lower than the previous period profit before tax of £34.6 million. No dividends were received or paid in the current or prior period.

At the end of the period the Company held cash of £66.2 million compared to £56.7 million in the previous period.

Fixed asset additions totalled £22.8 million (2016: £26.3 million) for the period.

The average number of employees increased from 4,522 to 4,565.

Risks and uncertainties

The Warburtons business operates 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.

The Company is exposed to commodity markets; principally wheat, energy and foreign currency. 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 Warburtons 1876 Limited Group within which the Company is a member 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 prior 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 energy and foreign currency risk is managed through a comprehensive hedging policy. Details of the derivative financial instruments held at the period end are disclosed in note 12.

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

STRATEGIC REPORT (continued)

PRINCIPAL ACTIVITY AND BUSINESS REVIEW (continued)

Risks and uncertainties (continued)

On 23 June 2016 the United Kingdom voted to leave the European Union. In light of the referendum there remains a degree of uncertainty surrounding the long term implications of 'Brexit' and the impact this will have. Both political and market volatility at this stage remains uncertain.

The Directors will continue to review the nature and extent of the risks and uncertainties arising from the result of the referendum and the potential impact this may have on the both the operations and performance of the business. A team has been established with a remit to identify and manage the risks arising throughout the Brexit process and will report to the board on a regular basis.

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 anticipated to compensate for the expected continuing decline in the overall wrapped bakery market.

CHARITABLE CONTRIBUTIONS / FINANCIAL GIVING POLICY

The Company contributed £461,000 (2016: £490,000) 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 Company has a strong track record of community investment delivered through our Families Matter strategy.

The Company 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 Company 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 Company on the environment and society.

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



J. Warburton
Director

19 December 2017

DIRECTORS' REPORT

The directors present their annual report on the affairs of the Company, together with the audited financial statements and independent auditor's report, for the 53 week period ended 30 September 2017.

RESULTS AND DIVIDENDS

Results and recommended transfers to reserves are as follows:

	Profit and loss account £'000
Retained profit at 24 September 2016	360,029
Profit for the financial period	11,515
Actuarial gain related to pension scheme, net of tax (see note 16)	30,146
Retained profit at 30 September 2017	<u>401,690</u>

During the period the Company did not propose or pay any dividends to the immediate parent company (2016: £nil).

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

GOING CONCERN

Information regarding the going concern basis of preparation is disclosed in the Statement of Accounting Policies on page 14.

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.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company'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 Company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Company does not use derivative financial instruments for speculative purposes.

Cash flow risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and diesel prices. The Company 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 Company's principal financial assets are bank balances and cash, trade and other receivables, and investments.

The Company'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 Company 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 Company's ultimate parent company maintains long-term debt finance.

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

DIRECTORS' REPORT (continued)

SUPPLIER PAYMENT POLICY

At 30 September 2017 trade creditor days were 42 days (2016: 37 days).

It is the policy of the Company to comply with the payment terms agreed with suppliers. Where payment terms are not specifically negotiated, the Company applies its standard terms.

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.

DIRECTORS

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

EMPLOYEES

The Company 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 Company continues and that appropriate training is arranged. It is the policy of the Company 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 Company 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 Company. 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 Company 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.

AUDITOR

Deloitte LLP has indicated its willingness to be reappointed for another term and are deemed reappointed as auditor in the absence of an Annual General Meeting.

STATEMENT OF DISCLOSURE TO THE 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.

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

J. Warburton
Director
19 December 2017



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 year. 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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and 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 LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 September 2017 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Warburtons Limited (the 'company') which comprise:

- the profit and loss account;
- the statement of comprehensive income/expense;
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs(UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

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

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WARBURTONS LIMITED (continued)

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial 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 or the directors' report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WARBURTONS LIMITED (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.



Jane Boardman BSc FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Manchester, United Kingdom
19 December 2017

WARBURTONS LIMITED

PROFIT AND LOSS ACCOUNT

For the 53 week period ended 30 September 2017

	Note	53 week period ended 30 September 2017 £'000	52 week period ended 24 September 2016 £'000
TURNOVER	1	524,697	526,253
Other operating income		1,964	955
		<u>526,661</u>	<u>527,208</u>
Raw material and consumable costs		(148,371)	(137,206)
Other external charges		(135,617)	(139,883)
		<u>(283,988)</u>	<u>(277,089)</u>
Total staff costs	2	(185,465)	(180,975)
Depreciation		(31,068)	(28,624)
Other operating charges		(3,701)	(5,025)
		<u>(220,234)</u>	<u>(214,624)</u>
OPERATING PROFIT		<u>22,439</u>	<u>35,495</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE FINANCE EXPENSE		22,439	35,495
Finance expense (net)	3	(1,769)	(863)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	20,670	34,632
Tax on profit on ordinary activities	5	(9,155)	(11,014)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>11,515</u>	<u>23,618</u>

All activity arose from continuing operations.

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

WARBURTONS LIMITED

STATEMENT OF TOTAL COMPREHENSIVE INCOME/(EXPENSE) For the 53 week period ended 30 September 2017

		53 week period ended 30 September 2017 £'000	52 week period ended 24 September 2016 £'000
	Note		
Profit for the financial period		11,515	23,618
Other comprehensive income/(expense)			
Actuarial remeasurement of net defined benefit pension liability	16	36,200	(28,400)
Tax relating to components of other comprehensive income/(expense)		(6,054)	3,373
Total comprehensive income/(expense)		41,661	(1,409)

The accompanying accounting policies and notes are an integral part of this statement of total comprehensive income/(expense).

BALANCE SHEET
As at 30 September 2017

	Note	30 September 2017 £'000	24 September 2016 £'000
FIXED ASSETS			
Tangible fixed assets	7	270,502	279,090
Investments	8	4,001	4,001
		<u>274,503</u>	<u>283,091</u>
CURRENT ASSETS			
Stocks	9	5,429	5,123
Debtors	10	178,296	187,534
Cash at bank and in hand		66,213	56,651
		<u>249,938</u>	<u>249,308</u>
CREDITORS: amounts falling due within one year	11	(73,750)	(82,521)
NET CURRENT ASSETS		<u>176,188</u>	<u>166,787</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		450,691	449,878
PROVISIONS FOR LIABILITIES	13	(6,438)	(7,086)
NET ASSETS EXCLUDING PENSION DEFICIT		444,253	442,792
Pension deficit	16	(36,683)	(76,883)
NET ASSETS		<u>407,570</u>	<u>365,909</u>
CAPITAL AND RESERVES			
Called-up share capital	14	2,376	2,376
Share premium account		589	589
Capital redemption reserve		2,915	2,915
Profit and loss account		401,690	360,029
SHAREHOLDER'S FUNDS		<u>407,570</u>	<u>365,909</u>

The financial statements of Warburtons Limited, registered number 00178711, on pages 10 to 35 were approved by the Board of Directors and authorised for issue:



J. Warburton

Director

19 December 2017

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

WARBURTONS LIMITED

STATEMENT OF CHANGES IN EQUITY

As at 30 September 2017

	Called-up share capital £'000	Share premium account £'000	Profit and loss account £'000	Capital redemption reserve £'000	Total £'000
At 26 September 2015	2,376	589	361,438	2,915	367,318
Profit for the financial period	-	-	23,618	-	23,618
Actuarial remeasurement of net defined benefit liability	-	-	(28,400)	-	(28,400)
Tax relating to items of other comprehensive expense	-	-	3,373	-	3,373
Total comprehensive expense	-	-	(1,409)	-	(1,409)
At 24 September 2016	2,376	589	360,029	2,915	365,909
Profit for the financial period	-	-	11,515	-	11,515
Actuarial remeasurement of net defined benefit liability	-	-	36,200	-	36,200
Tax relating to items of other comprehensive income	-	-	(6,054)	-	(6,054)
Total comprehensive income	-	-	41,661	-	41,661
At 30 September 2017	2,376	589	401,690	2,915	407,570

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

STATEMENT OF ACCOUNTING POLICIES
For the 53 week period ended 30 September 2017

The principal accounting policies are summarised below. They have been applied consistently throughout the 53 week period and the preceding 52 week period.

Basis of accounting

Warburtons Limited (the Company) is a company incorporated in the United Kingdom under the Companies Act. The Company is a private company limited by shares and is registered in England and Wales. The address of the registered office is given on page 1. The nature of the Company'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, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company 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. The Company is consolidated in the financial statements of its ultimate parent, Warburtons 1876 Limited, which may be obtained from Companies House. 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

Every accounting period ends on the last Saturday which falls before, or on, 30 September, resulting in accounting periods of either 52 or 53 weeks.

Going concern

The Company 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 Company to achieve a trading result in line with plans. We remain exposed to volatility in commodity markets and foreign exchange movements but as highlighted in the 'Strategic' Report the Company has processes in place for managing these risks.

The Company is a subsidiary within the Warburtons 1876 Limited Group which 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. Additionally, no covenant breaches have occurred in the period. 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.

Exemption from consolidation

The Company is exempt under s400 of the Companies Act 2006 from preparing group financial statements as the results of the Company and its subsidiaries are included in the financial statements of the ultimate parent company, Warburtons 1876 Limited. These financial statements therefore represent the results of the Company only.

STATEMENT OF ACCOUNTING POLICIES (continued)
For the 53 week period ended 30 September 2017**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 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.

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 Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

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.

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.

STATEMENT OF ACCOUNTING POLICIES (continued)
For the 53 week period ended 30 September 2017**Pension costs**

The Company 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.

Part of the defined benefit section is funded, with the assets held separately from those of the Company, 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 Company also 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 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

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 15b.

Financial instruments

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

STATEMENT OF ACCOUNTING POLICIES (continued)
For the 53 week period ended 30 September 2017

Financial instruments (continued)

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 Company 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 Company 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 53 week period ended 30 September 2017

Financial instruments (continued)

(ii) Equity instruments

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

(iii) Derivative financial instruments

The Company uses derivative financial instruments to reduce exposure to foreign exchange risk and diesel price movements. The Company 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 Company 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 Company determines and documents causes for hedge ineffectiveness.

Note 12 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 Company 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 Company 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.

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

STATEMENT OF ACCOUNTING POLICIES (continued)
For the 53 week period ended 30 September 2017**Impairment of assets (continued)***Non-financial assets*

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company'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.

Critical judgements in applying the Company'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 Company'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 Company. 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.

STATEMENT OF ACCOUNTING POLICIES (continued)
For the 53 week period ended 30 September 2017***Key source of estimation uncertainty – impairment of fixed assets (continued)***

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 30 September 2017 the carrying value of tangible fixed assets was £270.5 million (2016: £279.1 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 Company 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 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 30 September 2017 the fair value of scheme assets across all schemes was £375.9 million (2016: £408.0 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 53 weeks to 30 September 2017 the Company recognised an actuarial gain net of taxation of £30.1 million (2016: loss £25.0 million).

An analysis of the assumptions used to determine the defined benefit obligation recognised in the period is given in note 16. Sensitivities within these assumptions are considered by management in forming their judgement on the level of the defined benefit obligation.

Self-insurance

The Company sets aside monies to provide for losses that occur from employee claims and accidents involving the Company's vehicle fleet. The scheme is underwritten by the Company's external insurers. The level of provision required is assessed based on information obtained from the Company'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 30 September 2017 the value provided against claims was £4.6 million (2016: £4.2 million).

NOTES TO THE FINANCIAL STATEMENTS
For the 53 week period ended 30 September 2017

1. TURNOVER

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

	53 week period ended 30 September 2017 £'000	52 week period ended 24 September 2016 £'000
Employee costs during the period, including executive directors, amounted to:		
Wages and salaries	159,971	157,327
Social security costs	16,185	14,644
Other pension costs	9,309	9,004
	<u>185,465</u>	<u>180,975</u>

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

	53 week period ended 30 September 2017 Number employed	52 week period ended 24 September 2016 Number employed
Production	1,957	1,773
Distribution	2,124	2,277
Administration	484	472
	<u>4,565</u>	<u>4,522</u>

Directors' remuneration

The remuneration of the directors was as follows:

	53 week period ended 30 September 2017 £'000	52 week period ended 24 September 2016 £'000
Emoluments	<u>4,860</u>	<u>5,165</u>

Pensions

The number of directors who were members of defined benefit pension schemes was 3 (2016: 3).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the 53 week period ended 30 September 2017

2. STAFF COSTS (continued)

Highest-paid director

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

	53 week period ended 30 September 2017 £'000	52 week period ended 24 September 2016 £'000
Emoluments	1,465	1,462

The accrued pension entitlement under the Company's defined benefit scheme of the highest paid director at 30 September 2017 was £nil per annum (2016: £326,000 per annum).

The accrued pension entitlement under the Company's unfunded pension scheme of the highest paid director at 30 September 2017 was £368,000 per annum (2016: £128,000).

3. FINANCE EXPENSE (NET)

	53 week period ended 30 September 2017 £'000	52 week period ended 24 September 2016 £'000
Net finance income expense on pension scheme (see note 16)	1,800	2,000
Losses/(gains) on diesel commodity forward contracts	113	(1,101)
Gains on forward foreign currency contracts	(31)	(23)
Interest receivable	(113)	(13)
	<u>1,769</u>	<u>863</u>

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	53 week period ended 30 September 2017 £'000	52 week period ended 24 September 2016 £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets	31,068	28,624
Operating lease rentals - land and buildings	1,448	1,357
- vehicles	1,863	1,849
- plant and machinery	448	439
- other	1,364	667
Research and development expenses	1,676	522
Tax credits received on research and development expense	(680)	(51)
Loss on disposal of fixed assets	14	939

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the 53 week period ended 30 September 2017

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (continued)

	53 week period ended 30 September 2017 £'000	52 week period ended 24 September 2016 £'000
Auditor's remuneration		
Fees payable for the audit of the Company's annual financial statements	118	124
Fees payable for the audit of the Company's subsidiaries and ultimate parent undertakings expensed in these financial statements	39	36
Total audit fees	157	160
Other services pursuant to legislation:		
- tax advisory services	-	-
- other services	-	-
Total non-audit fees	-	-
Fees payable to the Company's auditor in respect of associated pension schemes	-	-
Total	157	160

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	53 week period ended 30 September 2017 £'000	52 week period ended 24 September 2016 £'000
Current tax		
UK corporation tax	8,782	12,678
Adjustment in respect of prior periods	196	(226)
Total current tax charge	8,978	12,452
Deferred tax		
Origination and reversal of timing differences	39	(353)
Prior period adjustment in respect of timing differences	138	132
Effect of changes in tax rates on opening balances	-	(1,217)
Total deferred tax charge/(credit)	177	(1,438)
Total tax charge on profit on ordinary activities	9,155	11,014

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the 53 weeks ended 30 September 2017

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:

	2017 £'000	2016 £'000
Profit on ordinary activities before tax	20,670	34,632
Tax on profit on ordinary activities at standard UK corporation tax rate of 19.5% (2016: 20.5%)	4,030	6,926
Effects of:		
Expenses not deductible for tax purposes	1,608	1,189
Adjustments for UK transfer pricing	4,067	4,210
Group relief claimed	(1,012)	-
Adjustments to tax charge in respect of previous periods	196	(226)
Adjustments to deferred tax charge in respect of previous periods	138	132
Effect of change in tax rates	128	(1,217)
Total tax charge for the period	9,155	11,014

The UK government has announced it intends to further reduce the rate of corporation tax to 17% with effect 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 29 September 2018 is anticipated to be immaterial.

6. DIVIDENDS PAID AND PROPOSED ON SHARES

	53 weeks ended 30 September 2017 £'000	52 week period ended 24 September 2016 £'000
Ordinary shares		
- £nil (2016: £nil) per ordinary share	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the 53 weeks ended 30 September 2017

7. TANGIBLE FIXED ASSETS

The movement in the period was as follows:

	Land and buildings			Plant and machinery	Motor vehicles	Total
	Freehold £'000	Long leasehold £'000	Short leasehold £'000	£'000	£'000	£'000
Cost						
At 24 September 2016	158,061	1,780	2,892	300,185	42,241	505,159
Additions	770	-	-	15,713	6,291	22,774
Disposals	(8)	-	-	(1,724)	(3,820)	(5,552)
At 30 September 2017	158,823	1,780	2,892	314,174	44,712	522,381
At 24 September 2016	28,201	648	1,694	173,788	21,738	226,069
Charge for the period	2,722	58	250	23,943	4,095	31,068
Disposals	(2)	-	-	(1,443)	(3,813)	(5,258)
At 30 September 2017	30,921	706	1,944	196,288	22,020	251,879
Net book value						
At 24 September 2016	129,860	1,132	1,198	126,397	20,503	279,090
At 30 September 2017	127,902	1,074	948	117,886	22,692	270,502

At the period end, the Company fixed asset balance includes £8,369,250 (2016: £9,189,148) of assets that are in the course of construction and are not subject to depreciation. The cost of freehold land which is also not depreciated is £22,929,159 (2016: £22,614,681).

8. FIXED ASSET INVESTMENTS

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

	30 September 2017 £'000	24 September 2016 £'000
Subsidiary undertakings at cost	4,001	4,001

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the 53 weeks ended 30 September 2017

8. FIXED ASSET INVESTMENTS (continued)

Subsidiary undertakings

The Company has four wholly owned subsidiary undertakings.

Subsidiary	Country of incorporation	Principal activity	Holding and voting power
Warburton 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%

Associated undertakings

Associated undertakings include a 20% equity investment in Bakers Basco Limited.

All shareholdings in subsidiary and associated undertakings are in ordinary shares.

The subsidiary companies of Warburtons Limited are registered at Back o'th'Bank House, Hereford Street, Bolton, Lancashire, BL1 8HJ with the exception of Warburton Foods Limited.

Warburton Foods Limited is registered at 2200 One Lombard Place, Winnipeg, Manitoba, R3B 0X7.

9. STOCKS

The following are included in the value of stocks:

	30 September 2017 £'000	24 September 2016 £'000
Raw materials and consumables	4,777	4,734
Finished goods	652	389
	<u>5,429</u>	<u>5,123</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 £161.9 million (2016: £150.9 million).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the 53 weeks ended 30 September 2017

10. DEBTORS

The following are included in debtors:

	30 September 2017 £'000	24 September 2016 £'000
Amounts falling due within one year:		
Trade debtors	67,850	60,431
Amounts due from Group undertakings	94,912	106,872
Other taxation and social security	5,426	2,184
Other debtors	9	29
Prepayments and accrued income	3,681	4,784
Deferred tax asset (see note 16)	6,336	13,070
Derivative financial assets (see note 12)	82	164
	<u>178,296</u>	<u>187,534</u>

Amounts due from Group undertakings are unsecured, interest free and repayable on demand.

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

The following amounts are included in creditors:

	30 September 2017 £'000	24 September 2016 £'000
Trade creditors	19,189	12,853
UK corporation tax payable	3,443	6,001
Other taxation and social security	4,360	3,113
Other creditors	1,376	2,644
Accruals and deferred income	45,382	57,910
	<u>73,750</u>	<u>82,521</u>

12. DERIVATIVE FINANCIAL INSTRUMENTS

	Fair value	
	2017 £'000	2016 £'000
Derivatives measured at fair value through profit and loss		
Assets		
Forward foreign currency contracts	46	15
Diesel commodity swap contracts	36	149
	<u>82</u>	<u>164</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the 53 weeks ended 30 September 2017

12. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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.

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	
	2017	2016	2017	2016	2017	2016
	GBP:USD	GBP:USD	£'000	£'000	£'000	£'000
Buy USD						
Less than 12 months	1.3590	-	9,519	-	46	-
Buy CAD						
Less than 3 months	-	1.9401	-	103	-	15

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

Gains of £31,000 (2016: gains of £23,000) 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	
	2017	2016	2017	2016	2017	2016
	£/litre	£/litre	£'000	£'000	£'000	£'000
Buy Diesel						
Less than 12 months	3.4518	0.321	2,955	4,651	36	149

The Company has entered into contracts to purchase goods in GB Pounds sterling. The Company has entered into diesel swap contracts to mitigate the price risk arising from the contracted future transactions.

Losses of £113,000 (2016: gains of £1,101,000) 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 53 weeks ended 30 September 2017

13. PROVISIONS FOR LIABILITIES

	30 September 2017 £'000	24 September 2016 £'000
Property provision	36	182
Deferred tax provision	6,402	6,904
	<u>6,438</u>	<u>7,086</u>

Deferred tax provision

Deferred tax is provided as follows:

	30 September 2017 £'000	24 September 2016 £'000
Accelerated capital allowances	6,330	7,110
Other short term timing differences	72	(206)
Total deferred tax provision	<u>6,402</u>	<u>6,904</u>

The movement on the deferred taxation provision comprises:

	£'000
At 24 September 2016	6,904
Credited to profit and loss	177
Transfer from current deferred tax asset	(679)
At 30 September 2017	<u>6,402</u>

Property provision

The movement in the property provision comprises:

	£'000
At 24 September 2016	182
Release of unused provision	(146)
At 30 September 2017	<u>36</u>

The Company guarantees a number of operating leases entered into by certain subsidiary undertakings of another company in which Warburtons Limited previously held an investment.

The Board has concluded that it is probable that the guarantees will be called in and in accordance with FRS 102.21, Provisions and Contingencies, a provision has been made. This provision is expected to be utilised over the next year as the leases guaranteed by Warburtons Limited expire on dates leading up to September 2018.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the 53 weeks ended 30 September 2017

14. CALLED-UP SHARE CAPITAL

A summary of the authorised and issued called up share capital at 30 September 2017 and 24 September 2016 is set out below:

	Allotted, called-up and fully paid	
	Nominal value £'000	Number
30 September 2017 and 24 September 2016		
Ordinary shares, £1 each	2,376	2,376,497
Deferred convertible redeemable shares, 10p each	-	4,564
	<u>2,376</u>	<u>2,381,061</u>

Rights of shareholders

- (a) Deferred convertible redeemable shares carry no voting rights and are redeemable at par. On a return of assets on liquidation or otherwise, deferred convertible redeemable shareholders will receive a sum equal to the nominal capital paid up:
- (b) The deferred convertible redeemable shares are convertible into preferred ordinary shares based on the profitability of the Company on a rolling three year basis. Conversion can only take place between three and ten years from the date of issue of the shares.

Share transactions in the period

There have been no transactions during the period that affect the share capital of the Company.

15. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

(a) Capital commitments

At the end of the period, capital commitments were:

	2017 £'000	2016 £'000
Contracted for but not provided for	<u>1,897</u>	<u>1,219</u>

(b) Non-cancellable operating leases

The total commitments under leases entered into by Warburtons Limited are as follows:

	2017		2016	
	Property £'000	Other £'000	Property £'000	Other £'000
Operating leases which expire				
- within 1 year	1,421	3,029	1,354	2,743
- within 2-5 years	3,758	9,052	4,126	7,918
- after 5 years	1,854	539	3,363	635
	<u>7,033</u>	<u>12,620</u>	<u>8,843</u>	<u>11,296</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 53 weeks ended 30 September 2017

16. PENSION ARRANGEMENTS

Defined contribution schemes

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The total charge in the period was £8,235,261 (2016: £7,919,257). There were contributions of £508,475 outstanding at 30 September 2017 (2016: £1,019,400).

Unfunded scheme

The Company 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 30 September 2017 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 2016 by an independent qualified actuary using the Projected Unit Credit Method. The market value of the scheme's assets at the last valuation was £302.0 million, the value of which represented 89% 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 1.0% (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 30 September 2017 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.

During the period WERBS discharged all of its defined benefit obligation via the conversion of the scheme pensioner buy-in policy to a buyout policy and the payment of transfer values for the remaining non pensioner members. The conversion of the pensioner buy-in policy involved no additional premium and there was no cost or saving to the scheme. The WERBS transfer values paid were less than the defined benefit obligation discharged therefore there was a gain on settlement shown in the WERBS P&L. The balance of assets from WERBS transferred to WPLAP as part of the scheme merger has a neutral impact on the combined P&L. The WERBS scheme therefore has zero assets and liabilities shown in its balance sheet at the end of the accounting period and the scheme is in the process of being wound up.

In order for the WERBS non pensioner members to have their overall benefit promise (after allowing for a proportion of the benefits being paid out) from the Company maintained, the benefit provided by UURBS was increased and a past service cost shown in the UURBS P&L. The WERBS settlement and the increase in the benefits provided by UURBS has a neutral impact on the combined P&L.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the 53 weeks ended 30 September 2017

16. PENSION ARRANGEMENTS (continued)

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

	2017 %	2016 %
Discount rate	2.70	2.40
Inflation (RPI)	3.30	3.20
Salary growth (WPLAP)	3.80	3.70
Salary growth (WERBS)	3.30	1.80
Allowance for pension payment increase	2.10-3.10	2.10-3.10
Allowance for commutation of pension for cash at retirement	10-25% of pension	10-25% of pension

Mortality assumptions:

Investigations have been carried out within the past three years into the mortality experience of the Company'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	
	2017 years	2016 years	2017 years	2016 years
Retiring today:				
Males	21.1	21.3	24.1	24.6
Females	23.3	23.6	25.1	25.7
Retiring in 20 years:				
Males	22.6	23.0	25.4	26.8
Females	24.8	25.5	26.6	28.2

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

	Combined		WPLAP		WERBS		UURBS	
	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m	2017 £m	2016 £m
Expenses of scheme	1.0	0.8	1.0	0.8	-	-	-	-
Current service cost	0.8	0.7	-	-	-	-	0.8	0.7
Net interest cost								
- after 5 years	1.8	2.0	1.4	1.5	-	-	0.4	0.5
Total expense recognised in profit and loss account	3.6	3.5	2.4	2.3	-	-	1.2	1.2
Recognised in total comprehensive income	3.6	3.5	2.4	2.3	-	-	1.2	1.2

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the 53 weeks ended 30 September 2017

16. PENSION ARRANGEMENTS (continued)

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	
	2017	2016	2017	2016	2017	2016	2017	2016
	£m	£m	£m	£m	£m	£m	£m	£m
Return on scheme assets	(10.9)	63.6	(7.9)	59.6	(3.0)	4.0	-	-
Experience gains and (losses) on scheme liabilities	23.3	(0.8)	26.1	-	3.1	(2.0)	(5.9)	1.2
Change in scheme liabilities	33.8	(94.4)	31.6	(84.1)	-	(7.9)	2.2	(2.4)
Limit on recognition of surplus (loss)/gain	(10.0)	3.2	(10.4)	-	0.4	3.2	-	-
Net actuarial gains/(losses) shown in other comprehensive income	<u>36.2</u>	<u>(28.4)</u>	<u>39.4</u>	<u>(24.5)</u>	<u>0.5</u>	<u>(2.7)</u>	<u>(3.7)</u>	<u>(1.2)</u>

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	
	2017	2016	2017	2016	2017	2016	2017	2016
	£m	£m	£m	£m	£m	£m	£m	£m
Present value of defined benefit obligations	(402.2)	(484.6)	(365.5)	(423.8)	-	(46.2)	(36.7)	(14.6)
Fair value of scheme assets	<u>375.9</u>	<u>408.0</u>	<u>375.9</u>	<u>361.5</u>	<u>-</u>	<u>46.5</u>	<u>-</u>	<u>-</u>
(Deficit)/surplus in plan	(26.3)	(76.6)	10.4	(62.3)	-	0.3	(36.7)	(14.6)
Unrecognised surplus	<u>(10.4)</u>	<u>(0.3)</u>	<u>(10.4)</u>	<u>-</u>	<u>-</u>	<u>(0.3)</u>	<u>-</u>	<u>-</u>
Net liability recognised in the balance sheet	<u>(36.7)</u>	<u>(76.9)</u>	<u>-</u>	<u>(62.3)</u>	<u>-</u>	<u>-</u>	<u>(36.7)</u>	<u>(14.6)</u>
Deferred tax asset arising on above (see note 10)	<u>6.3</u>	<u>13.1</u>	<u>-</u>	<u>10.6</u>	<u>-</u>	<u>-</u>	<u>6.3</u>	<u>2.5</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the 53 weeks ended 30 September 2017

16. PENSION ARRANGEMENTS (continued)

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

	Combined		WPLAP		WERBS		UURBS	
	2017	2016	2017	2016	2017	2016	2017	2016
	£m	£m	£m	£m	£m	£m	£m	£m
At 24 September 2016	484.6	393.2	423.8	334.7	46.2	46.3	14.6	12.2
Service cost	0.8	0.7	-	-	-	-	0.8	0.7
Expenses	1.0	0.8	1.0	0.8	-	-	-	-
Interest cost	11.7	14.8	10.1	12.7	1.1	1.6	0.5	0.5
Actuarial gains and losses	(57.1)	95.2	(57.7)	84.1	(3.1)	9.9	3.7	1.2
Benefits paid	(11.9)	(9.2)	(11.7)	(8.5)	(0.2)	(0.7)	-	-
Liabilities extinguished on settlements	(44.0)	(10.9)	-	-	(44.0)	(10.9)	-	-
Losses due to benefit changes	17.1	-	-	-	-	-	17.1	-
At 30 September 2017	<u>402.2</u>	<u>484.6</u>	<u>365.5</u>	<u>423.8</u>	<u>-</u>	<u>46.2</u>	<u>36.7</u>	<u>14.6</u>

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

	Combined		WPLAP		WERBS		UURBS	
	2017	2016	2017	2016	2017	2016	2017	2016
	£m	£m	£m	£m	£m	£m	£m	£m
At 24 September 2016	408.0	344.0	361.5	294.3	46.5	49.7	-	-
Interest income	10.0	12.8	8.8	11.1	1.2	1.7	-	-
Actuarial gains and losses	(10.9)	63.6	(7.9)	59.6	(3.0)	4.0	-	-
Contributions from the employer	7.6	7.7	6.3	5.0	1.3	2.7	-	-
Benefits paid	(11.9)	(9.2)	(11.7)	(8.5)	(0.2)	(0.7)	-	-
Assets acquired in scheme merger	-	-	18.9	-	(18.9)	-	-	-
Assets distributed on settlements	(26.9)	(10.9)	-	-	(26.9)	(10.9)	-	-
At 30 September 2017	<u>375.9</u>	<u>408.0</u>	<u>375.9</u>	<u>361.5</u>	<u>-</u>	<u>46.5</u>	<u>-</u>	<u>-</u>

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

	Combined		WPLAP		WERBS		UURBS	
	2017	2016	2017	2016	2017	2016	2017	2016
	£m	£m	£m	£m	£m	£m	£m	£m
Equity	51.3	42.7	51.3	42.7	-	-	-	-
Index linked bonds	34.1	33.5	34.1	33.5	-	-	-	-
Diversified growth/ Liability								
Driven Investment funds	270.9	281.0	270.9	266.8	-	14.2	-	-
Cash and other	19.6	50.8	19.6	18.5	-	32.3	-	-
Total assets	<u>375.9</u>	<u>408.0</u>	<u>375.9</u>	<u>361.5</u>	<u>-</u>	<u>46.5</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the 53 weeks ended 30 September 2017

17. RELATED PARTIES

As disclosed in note 8, 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 £2,804,302 (2016: £2,266,912). The balance outstanding at 30 September 2017 in respect of Bakers Basco Limited was £242,747 (2016: £nil).

The Company also provides consultancy services to Dalveen Enterprises Limited, of which W. R. Warburton is a director, on an arm's length basis. Total transactions for the period were sales of £nil (2016: £120,000) and the balance outstanding at the period end comprised trade debtors of £nil (2016: £20,000).

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 Company.

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

	2017 £'000	2016 £'000
J Warburton and related parties	2,342	2,716
W Brett Warburton and related parties	3,784	3,784
W Ross Warburton and related parties	5,485	5,485
	<u>11,611</u>	<u>11,985</u>

18. CONTINGENT LIABILITY

The Company is party to a guarantee over certain fixed assets to secure the borrowings of fellow group companies which were taken out during the period ended 26 September 2015. At 30 September 2017, the borrowings of the Group secured by this guarantee were £124.5 million (2016: £124.5 million).

19. ULTIMATE PARENT COMPANY AND ULTIMATE CONTROLLING PARTY

The ultimate parent Company is Warburtons 1876 Limited. Copies of the financial statements of the ultimate parent Company may be obtained from Warburtons 1876 Limited, Back o'th' Bank House, Hereford Street, Bolton, BL1 8HJ. This is the smallest and largest group in which the Company is consolidated.

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