Samworth Brothers Limited

Annual report and financial statements

Registered number 03116767

31 December 2016

Contents

Directors and officers

Directors	A Knight (resigned 6 April 2017) MC Samworth R Armitage AM Barker I Fletcher MA Kilby P Davey R Marris
Company secretary	TJ Barker ACA
Independent auditors	KPMG LLP Chartered Accountants St Nicholas House 31 Park Row Nottingham NG1 6FQ
Bankers	HSBC Bank plc 130 New Street Birmingham National Westminster Bank PLC Fore Street Callington Cornwall
Registered office	Chetwode House, 1 Samworth Way Melton Mowbray Leicestershire LE13 1GA
Registered number	03116767 - England

Directors' report

The Directors present their annual report and the audited consolidated financial statements of the Company for the 52 week period ended 31 December 2016, referred to as 2016 and 'year' throughout the report, with '2015' referring to the 53 week period ended 2 January 2016.

Principal activities

The principal activity of the Company is the manufacture and distribution of high quality value added food products. There has been no change in activities during the year. During the year, the Company acquired the trade and assets of Emporium (North London) Limited.

Dividend

The Directors recommended that no final dividend per ordinary share be paid *(2015: £nil);* interim dividends amounting to £18.3 million *(2015: £18.2 million)* have been paid at £3,302.62 per ordinary share *(2015: £3,289.61).*

Directors

The directors who held office during the year were as follows:

A Knight (resigned 6 April 2017)
MC Samworth
R Armitage
AM Barker
I Fletcher
MA Kilby
P Davey
R Marris

Directors' indemnities

The Company maintains liability insurance for its Directors and officers which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

Political and charitable contributions

Charitable donations amounted to £628,000 *(2015: £587,700),* principally to local charities serving the communities in which the Company operates. The Company made no political donations or incurred any political expenditure during the year.

Directors' report *(continued)*

Disclosure of information to auditor

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

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

T. J. B

TJ Barker
Secretary

Chetwode House
1 Samworth Way
Melton Mowbray
Leicestershire
LE13 1GA

8 September 2017

Strategic report

Objectives

The Company's long term objective is to grow profitably in order to support continued investment. In pursuing this objective the Company intends to maintain sound financial management and avoid excessive risks.

Business review and future outlook

The Company is a key supplier of quality chilled foods to the major food retailers and convenience outlets in the United Kingdom, priding itself on both the quality of its products and customer service provided.

The Directors use sales and gross profit as key performance indicators ("KPI's") to monitor the business. Sales increased in the year by 5.6% to £951.9 million *(2015: £901.6 million).* Gross profit margin has fallen from 21.9% to 20.5% during the year. The business continued to achieve sales growth, gaining additional business with its key customers. The Directors will maintain and improve the quality of its products, invest in insight and innovation along with outstanding customer service. This remains fundamental to our ability to continue to grow our sales.

Capital expenditure was £48.6 million *(2015: £31.9 million).* The Directors will continue to invest in capital expenditure to ensure the business improves its manufacturing efficiency and maintains the quality of the products it produces for its customers.

At 31 December 2016, the company maintained a healthy cash at bank and in hand balance of £38.5 million *(2015: £39.8 million).*

The Directors monitor staff numbers as a KPI. Average staff numbers were 8,393 *(2015: 7,775)* in the year. As a business, we look to engage and motivate our staff with our culture and invest in development and training to help our staff realise their full potential. This allows the business to maintain high labour stability that is so important in producing our quality products, together with providing excellent customer service.

Product innovation and recipe development are fundamental to successfully developing and growing the business. The Company invests heavily in its development kitchens, chefs and technical staff to ensure we provide the best fresh and exciting ideas for our customers and the final consumer.

The market place continues to be very challenging as we face uncertainty around Brexit and enter a period of material cost inflation but, by working closely with our major customers, we will seek out new opportunities in 2017 to successfully grow our customers' own business. Capital investment will remain ahead of depreciation. The Directors remain cautious but optimistic with the developments for 2017.

Staff involvement

The Company places considerable value on the involvement of its staff and has continued its policy of communication, consultation and involvement. Staff continue to enjoy the benefit of a profit related pay scheme. Information is provided to staff on matters which concern them and staff are consulted to obtain their views on matters which affect their interests. A quarterly magazine, "The Samworth Standard", is distributed to all staff and includes information on the Company developments, staff involvement and their achievements.

Employment policies

The Company is committed to providing equal opportunities to all individuals within its business, through recruitment, training and career development. The Company has continued the policy regarding the employment of disabled persons. 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 support and training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other members of staff.

Strategic report *(continued)*

Financial risk management

The Company's activities expose it to a number of financial risks including price risk, credit risk, cash flow risk and liquidity risk. The Company's principal financial assets are bank balances and cash, trade and other debtors. The nature of the industry means the working capital cycle is short. The Company's key customers are blue chip retail companies and therefore customer credit risk is considered low. The Company is also exposed to foreign exchange risk. This risk is addressed through the use of forward contracts to give certainty around future cash outflows. The amount presented in the balance sheet in respect of trade debtors and other debtors is net of allowance for doubtful debtors.

The credit risk on liquid funds is regularly assessed by the Board considering the credit risk of counterparties. The Company is exposed to commodity price risks, but manages its exposure on a practical and cost beneficial basis.

The Board has overall responsibility for identifying, evaluating and managing major business risks facing the Company. It regularly reviews the business risk system operated by the divisions of the business. The system reviews all operating divisions' assessments of business risks exposure and control, including compliance assessments, and determines agreed business actions to manage and limit risks.

Dated: 8 September 2017

By order of the board

T.J Bl

T J Barker ACA
Company Secretary

Chetwode House, 1 Samworth Way, Melton Mowbray, LE13 1GA

Statement of directors' responsibilities in respect of the directors' report, the strategic report and the financial statements

The directors are responsible for preparing the Directors' Report, the Strategic 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, including FRS 102 The Financial Reporting Standard applicable in the UK and 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 its profit or loss for that year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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.

KPMG

Independent auditor's report to the members of Samworth Brothers Limited

We have audited the financial statements of Samworth Brothers Limited for the period ended 31 December 2016 on pages 8 to 29. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) including FRS 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 set out on page 6, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the 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 matters prescribed by the Companies Act 2006

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

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Directors' report and the Strategic report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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 required for our audit.

Ian Borley *(Senior Statutory Auditor)*
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St Nicholas House
Park Row
Nottingham
NG1 6FQ

Dated: 12th September 2017.

Profit and loss account and other comprehensive income
for the year ended 31 December 2016

	Note	52 weeks 2016 £000	53 weeks 2015 £000
Turnover			
Business operations	2	**949,578**	901,601
Acquisitions	2	**2,308**	-
		951,886	901,601
Cost of sales		**(756,697)**	(704,594)
Gross profit		**195,189**	197,007
Distribution costs		**(61,804)**	(66,042)
Administrative expenses		**(85,073)**	(84,024)
Operating profit		**48,312**	46,941
Existing operations		**49,688**	46,941
Acquisitions		**(1,376)**	-
Total operating profit		**48,312**	46,941
Other interest receivable and similar income	6	**318**	632
Interest payable and similar expenses	7	**(2,792)**	(1,901)
Profit before taxation		**45,838**	45,672
Tax on profit	8	**(8,981)**	(8,915)
Profit for the financial year		**36,857**	36,757
Other comprehensive income			
Actuarial losses	20	**(98,091)**	(11,741)
Income tax on other comprehensive income		**15,286**	1,641
Other comprehensive expense for the year, net of income tax		**(82,805)**	(10,100)
Total comprehensive (expense)/income for the year		**(45,948)**	26,657

All the results for the year relate to continuing operations.

Balance sheet
at 31 December 2016

	Note	2016 £000	2016 £000	2015 £000	2015 £000
Fixed assets					
Intangible fixed assets	*9*		**5,502**		3,805
Tangible assets	*10*		**200,217**		181,341
Other investments	*11*		**523**		523
Investments in subsidiaries	*11*		**13,023**		-
Negative goodwill	*9*		**(1,388)**		-
			217,877		185,669
Current assets					
Stocks	*12*	**28,183**		21,704	
Debtors	*13*	**192,101**		169,686	
Cash at bank and in hand		**38,508**		39,790	
		258,792		231,180	
Creditors: amounts falling due within one year	*14*	**(151,971)**		(133,037)	
Net current assets			**106,821**		98,143
Total assets less current liabilities			**324,698**		283,812
Creditors: amounts falling due after more than one year	*15*	**(6,063)**		(3,185)	
Accruals and deferred income	*17*	**(1,134)**		(1,354)	
Provisions for liabilities					
Other provisions	*19*	**(3,350)**		(4,036)	
Pensions and similar obligations	*20*	**(172,616)**		(69,474)	
			(183,163)		(78,049)
Net assets			**141,535**		205,763
Capital and reserves					
Called up share capital	*21*		**5**		5
Share premium account			**1,421**		1,421
Profit and loss account			**140,109**		204,337
Total shareholders' funds			**141,535**		205,763

These financial statements were approved by the board of directors on 8 September 2017 and were signed on its behalf by:

M Samworth
Director

R Armitage
Director

Company registered number: 03116767

Statement of changes in equity

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total equity £000
Balance at 28 December 2014	5	1,421	195,888	197,314
Total comprehensive income for the period				
Profit	-	-	36,757	36,757
Other comprehensive income				
Actuarial loss	-	-	(11,741)	(11,741)
Income tax on other comprehensive income	-	-	1,641	1,641
Total comprehensive income for the period	-	-	26,657	26,657
Transactions with owners, recorded directly in equity				
Dividends	-	-	(18,208)	(18,208)
Total distributions to owners	-	-	(18,208)	(18,208)
Balance at 2 January 2016	**5**	**1,421**	**204,337**	**205,763**

	Called up share capital £000	Share premium account £000	Profit and loss account £000	Total Equity £000
Balance at 3 January 2016	5	1,421	204,337	205,763
Total comprehensive income for the period				
Profit	-	-	36,857	36,857
Other comprehensive income				
Actuarial loss	-	-	(98,091)	(98,091)
Income tax on other comprehensive income	-	-	15,286	15,286
Total comprehensive income for the period	-	-	(45,948)	(45,948)
Transactions with owners, recorded directly in equity				
Dividends	-	-	(18,280)	(18,280)
Total distributions to owners	-	-	(18,280)	(18,280)
Balance at 31 December 2016	**5**	**1,421**	**140,109**	**141,535**

Notes
(forming part of the financial statements)

1 Accounting policies

Samworth Brothers Limited (the 'Company') is a Company limited by shares and incorporated and domiciled in the UK. The registered number is 03116767 and the registered address is Chetwode House, 1 Samworth Way, Melton Mowbray, Leicestershire, LE13 1GA.

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). The presentation currency of these financial statements is Sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

The Company's ultimate parent undertaking, Samworth Brothers (Holdings) Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Samworth Brothers (Holdings) Limited are prepared in accordance with FRS102 and are available to the public and may be obtained from Chetwode House, 1 Samworth Way, Melton Mowbray, LE13 1GA.

As the consolidated financial statements of Samworth Brothers (Holdings) Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.
- The exemption under FRS 102.33 'Related Party Transactions' for wholly owned subsidiaries not to disclose intra-group transactions.
- The disclosure required on business combination presented on the consolidated financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements, and estimates with a significant risk of material adjustment in the next year are discussed in note 26.

1.1. Measurement convention

The financial statements are prepared on the historical cost basis except that derivative financial instruments are held at fair value.

1.2. Going concern

The Company is party to the Samworth Brothers (Holdings) Limited group banking facilities. The directors have reviewed group cash flow projections which indicate that the group will continue to operate within its existing agreed bank facilities for at least twelve months from the date of approval of these financial statements. The Company's immediate parent Company, Samworth Brothers (Holdings) Limited, has confirmed its intention to provide continuing financial support to enable the Company to settle its liabilities as they fall due. Therefore, the directors consider it appropriate to prepare these financial statements on a going concern basis.

Notes *(continued)*

1 Accounting policies *(continued)*

1.3. Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4. Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

1.5. Basic financial instruments

Trade and other debtors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Trade and other creditors

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in subsidiaries

These are separate financial statements of the Company. Investments in subsidiaries are carried out at cost less impairment.

Notes *(continued)*

1 Accounting policies *(continued)*

1.6. Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition, a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.14 below.

The Company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives are as follows:

Freehold land	Is not depreciated
Leasehold land	Over the life of the lease
Non industrial freehold office buildings	40 years
Industrial freehold buildings	25 years
Long leasehold buildings	25 years
Short leasehold property	Over the life of the lease
Motor vehicles	4 - 7 years
Plant and machinery	3 -10 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

Assets under construction are transferred to their respective categories and depreciated once they are fully completed and in use.

1.7. Intangible assets and goodwill

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses.

Other intangible assets

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

The cost of intangible asset acquired in a business combination is its fair value at the acquisition date.

Negative goodwill

Negative goodwill arises where, on acquisition, the consideration paid is less than the net assets acquired. Negative goodwill is credited to the profit and loss account over the period in which the benefit arising from the negative goodwill will be realised by the Company.

Notes *(continued)*

1 Accounting policies *(continued)*

1.7. Intangible assets and goodwill *(continued)*

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Software 5 years

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be 20 years.

The Company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill is tested for impairment in accordance with FRS 102.27 *Impairment of assets* when there is an indication that it may be impaired.

Losses arising on revaluation are recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity, in respect of that asset. Any excess is recognised in profit or loss.

1.8. Government grants

Government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the expected useful lives of the assets to which they relate or in periods in which the related costs are incurred.

1.9. Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, plus production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

1.10. Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Notes *(continued)*

1 Accounting policies *(continued)*

1.10. Impairment excluding stocks and deferred tax assets *(continued)*

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs, the Company tests the impairment of goodwill by determining the recoverable amount of the entity in its entirety, including the integrated acquired operations.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.11. Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability taking account of changes arising as a result of contributions and benefit payments

The discount rate is the yield at the balance sheet date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the Company's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The Company recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability is recognised in other comprehensive income.

Notes *(continued)*

1 Accounting policies *(continued)*

1.12. Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

1.13. Turnover

Turnover is the total amount, excluding value added tax, receivable by the Company for goods and services provided. Turnover is recognised on delivery of products and is stated net of discounts.

1.14. Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and interest payable

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

1.15. Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes *(continued)*

2 Turnover

Turnover is attributed to the sale of goods in relation to the one principal activity of the Company.

Analysis of turnover between continuing and acquisitions is as follows:

	2016 Continuing £000	2016 Acquisitions £000	2016 Total £000	2015 Continuing £000	2015 Acquisitions £000	2015 Total £000
Turnover	**949,578**	**2,308**	**951,886**	901,601	-	901,601

Turnover is analysed by geographical market as follows:

	2016 £000	2015 £000
United Kingdom	**951,182**	901,054
Europe	**704**	547
	951,886	901,601

3 Auditor's remuneration

	2016 £000	2015 £000
Audit of these financial statements	**181**	173
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit -related assurance services	**101**	65
Taxation compliance services	**30**	152
Transaction services	**13**	-
All other services	**59**	12

4 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees 2016	2015
Management and administration	**1,003**	915
Production, sales and distribution	**7,390**	6,860
	8,393	7,775

The aggregate payroll costs of these persons were as follows:

	2016 £000	2015 £000
Wages and salaries	**219,002**	202,858
Social security costs	**16,969**	14,800
Other pension costs	**13,486**	17,768
	249,457	235,426

Notes *(continued)*

5 Directors' remuneration

	2016	2015
	£000	£000
Directors' emoluments	2,667	2,635
Amounts receivable under long term incentive schemes	192	183
Company contributions to defined benefit pension scheme	25	112
Amounts paid to third parties in respect of directors' services	835	515

The aggregate of emoluments and amounts receivable under long term incentive scheme of the highest paid director was £77,785 *(2015: £104,504)*. The highest paid director is not a member of a defined benefit scheme and has no accrued pension at the year end. In the prior year the highest paid director was a member of a defined benefit scheme under which accrued pension at the year end was £60,227 and accrued lump sum was £1,221,000.

	Number of directors	
	2016	2015
Retirement benefits are accrued during the year to the following number of directors under:		
Defined benefit schemes	4	5

6 Other interest receivable and similar income

	2016	2015
	£000	£000
Other interest receivable	318	632
Total interest receivable and similar income	318	632

Interest receivable and similar income includes income from group undertakings of £nil (2015: £318,000).

7 Interest payable and similar expenses

	2016	2015
	£000	£000
Interest payable	146	33
Net interest expense on net defined benefit liabilities	2,646	1,868
Total other interest payable and similar charges	2,792	1,901

Interest payable and similar charges include interest payable and similar on bank loans and overdrafts of £146,000 *(2015: £33,000)*.

Notes *(continued)*

8 Taxation

Total tax expense recognised in the profit and loss account and other comprehensive income

	2016		2015	
	£000	**£000**	£000	£000
Current tax				
Current tax on income for the period		**10,227**		10,643
Adjustments in respect of prior periods		**(214)**		(259)
Total current tax		**10,013**		10,384
Deferred tax				
Deferred tax credit	**(661)**		(1,557)	
Deferred tax prior year	**(454)**		114	
Change in tax rate	**83**		(26)	
Total deferred tax		**(1,032)**		(1,469)
Total tax		**8,981**		8,915

	2016			2015		
	£000 Current tax	**£000 Deferred tax**	**£000 Total tax**	£000 Current tax	£000 Deferred tax	£000 Total tax
Recognised in Profit and loss account	**10,013**	**(1,032)**	**8,981**	10,384	(1,469)	8,915
Recognised in other comprehensive income	-	**(15,286)**	**(15,286)**	-	(1,641)	(1,641)
Total tax	**10,013**	**(16,318)**	**(6,305)**	10,384	(3,110)	7,274

Reconciliation of effective tax rate

	2016 £000	2015 £000
Profit for the year	**36,857**	36,757
Total tax expense	**8,981**	8,915
Profit excluding taxation	**45,838**	45,672
Tax using the UK corporation tax rate of 20% *(2015: 20.25%)*	**9,168**	9,249
Expenses not deductible for tax purposes	**303**	135
Amortisation of goodwill	**172**	174
Ineligible depreciation	**847**	810
Grant amortisation	**(95)**	(95)
Group relief	**(829)**	(1,187)
Prior year corporation tax adjustment	**(214)**	(259)
Impact of rate changes	**83**	(26)
Prior year deferred tax adjustment	**(454)**	114
Total tax expense included in profit or loss	**8,981**	8,915

Notes *(continued)*

8 Taxation *(continued)*

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015 and an additional reduction to 17% (effective from 1 April 2020) was substantially enacted on 6 September 2016. This will reduce the Company's future tax charge accordingly. The deferred tax asset at 31 December 2016 has been calculated based on these rates.

9 Intangible assets and goodwill

	Goodwill £000	Software costs £000	Negative goodwill £000	Total £000
Cost				
Balance at 3 January 2016	17,204	4,123	-	21,327
Additions	-	3,006	-	3,006
On acquisition (note 27)	-	-	(1,721)	(1,721)
Balance at 31 December 2016	17,204	7,129	(1,721)	22,612
Amortisation and impairment				
Balance at 3 January 2016	14,763	2,759	-	17,522
Amortisation for the year	860	449	(333)	976
Balance at 31 December 2016	15,623	3,208	(333)	18,498
Net book value				
At 31 December 2016	**1,581**	**3,921**	**(1,388)**	**4,114**
At 2 January 2016	2,441	1,364	-	3,805

Amortisation charge

The amortisation charge is recognised in the following line items in the profit and loss account:

	2016 £000	2015 £000
Administrative expenses	**976**	1,236
	976	1,236

Notes *(continued)*

10 Tangible fixed assets

	Land and buildings £000	Plant and machinery £000	Motor vehicles £000	Under construction £000	Total £000
Cost					
Balance at 3 January 2016	127,084	363,639	21,270	3,592	515,585
Additions	8,001	21,758	4,490	11,344	45,593
Acquisitions	-	750	-	-	750
Reclassification	1,030	2,043	-	(3,073)	-
Disposals	(4)	(6,060)	(3,363)	-	(9,427)
Balance at 31 December 2016	136,111	382,130	22,397	11,863	552,501
Depreciation and impairment					
Balance at 3 January 2016	60,929	261,838	11,477	-	334,244
Depreciation charge for the year	4,082	20,462	2,692	-	27,236
Disposals	(4)	(5,966)	(3,226)	-	(9,196)
Balance at 31 December 2016	65,007	276,334	10,943	-	352,284
Net book value					
At 31 December 2016	**71,104**	**105,796**	**11,454**	**11,863**	**200,217**
At 2 January 2016	66,155	101,801	9,793	3,592	181,341

Land and buildings

The net book value of land and buildings comprises:

	2016 £000	2015 £000
Freehold	**68,573**	58,209
Long leasehold	**1,895**	5,797
Short leasehold	**636**	2,149
	71,104	66,155

Notes *(continued)*

11 Fixed asset investments

	Investment in subsidiaries £000
Cost	
At beginning of the year	3,204
Additions	13,023
At end of the year	16,227
Provisions	
At beginning and end of the year	(3,204)
Net book value	
At 31 December 2016	**13,023**
At 27 December 2015	-

On 23 December 2016, the Company acquired 100% of the ordinary share capital of West Cornwall Pasty Co. Limited. The company specialises in the sale of branded hot food-to-go products. Total consideration, inclusive of professional fees, was £13,023,000.

Other investments	**2016 £000**	2015 £000
At 2 January 2016 and 31 December 2016	**523**	523

The other investment represented 25.1% of the ordinary shares capital of Millitec Limited that was acquired in a prior period.

The Company has the following investments in subsidiaries. All of the Company's subsidiary undertakings are dormant or not trading.

	Country of incorporation	**Class of shares held**	**Ownership 2016 %**	Ownership 2015 %
Ginsters Limited	England and Wales	Ordinary	**100**	100
Thorpe Butler Limited	England and Wales	Ordinary	**100**	100
Westward Laboratories Limited	England and Wales	Ordinary	**100**	100
Walker & Son (Leicester) Limited	England and Wales	Ordinary	**100**	100
Moss Side Products Limited	England and Wales	Ordinary	**100**	100
Walkers (Leicester) Limited	England and Wales	Ordinary	**100**	100
Dickinson & Morris Limited	England and Wales	Ordinary	**100**	100
Tamar Foods Limited	England and Wales	Ordinary	**100**	100
Mrs King's Pork Pie Limited (formerly The Pink Ribbon Dessert Company Limited)	England and Wales	Ordinary	**100**	100
Kensey Foods Limited	England and Wales	Ordinary	**100**	100
Henry Walker (Retail) Limited	England and Wales	Ordinary	**100**	100
Melton Foods Limited	England and Wales	Ordinary	**100**	100
Samworth Brothers Distribution Limited	England and Wales	Ordinary	**100**	100
Kettleby Foods Limited	England and Wales	Ordinary	**100**	100
The Dessert Solutions Company Limited	England and Wales	Ordinary	**100**	100
The Sandwich Centre Limited	England and Wales	Ordinary	**100**	100
Blueberry Foods Limited	England and Wales	Ordinary	**100**	100
Brooksby Foods Limited	England and Wales	Ordinary	**100**	100
West Cornwall Pasty Co. Limited	England and Wales	Ordinary	**100**	n/a

Notes *(continued)*

12 Stocks

	2016 £000	2015 £000
Raw materials	**14,684**	10,517
Packaging materials	**6,388**	6,286
Goods for resale	**6,017**	4,270
Other stocks	**1,094**	631
	28,183	21,704

13 Debtors

	2016 £000	2015 £000
Trade debtors	**114,703**	102,589
Amounts owed by group undertakings	**28,790**	35,374
Other debtors	**9,354**	9,074
Deferred tax assets (note 18)	**28,900**	12,582
Prepayments and accrued income	**10,354**	10,067
	192,101	169,686
Due within one year	**192,101**	169,686
Due after more than one year	**-**	-
	192,101	169,686

14 Creditors: amounts falling due within one year

	2016 £000	2015 £000
Obligations under finance leases (see note 16)	**1,410**	644
Trade creditors	**78,975**	60,916
Amounts owed to group undertakings	**5,952**	1,567
Corporation tax	**3,760**	5,064
Other taxes and social security	**4,292**	3,915
Other creditors	**26,212**	32,269
Accruals and deferred income	**31,370**	28,662
	151,971	133,037

Notes *(continued)*

15 Creditors: amounts falling after more than one year

	2016 £000	2015 £000
Obligations under finance leases (see note 16)	**6,063**	3,185

16 Interest-bearing loans and borrowings

Finance lease liabilities are payable as follows:

	Minimum lease payments 2016 £000	Minimum lease payments 2015 £000
Less than one year	**1,410**	644
Between one and five years	**5,739**	2,934
More than five years	**324**	251
	7,473	3,829

17 Accruals and deferred income

	Total £000
Government grants as at 3 January 2016	1,354
Amounts credited to profit and loss account in the period	(494)
Reclassification to accruals and deferred income within one year	274
Government grants as at 31 December 2016	**1,134**

18 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000
Accelerated capital allowances	-	-	**(607)**	(975)	**(607)**	(975)
Defined benefit pension scheme	**29,345**	13,200	-	-	**29,345**	13,200
Other	**162**	357	-	-	**162**	357
Tax assets /(liabilities)	**29,507**	13,557	**(607)**	(975)	**28,900**	12,582
Net of tax liabilities/(assets)	**(607)**	(975)	**607**	975	-	-
Net tax assets	**28,900**	12,582	-	-	**28,900**	12,582

Notes *(continued)*

19 Provisions

	Total £000
Balance at 3 January 2016	4,036
Provisions arising on acquisition	500
Provisions created during the year	862
Provisions utilised during the year	(1,749)
Reclassifications to accruals and deferred income within one year	(299)
Balance at 31 December 2016	**3,350**

Provisions comprise long-term incentive schemes, a dilapidation provision, business insurance and provision against property exposures.

The long-term incentive schemes extend for three years and the provision relates to incentive schemes which are due to crystallise in 2017 and 2018, dependent upon results for the intervening period.

The dilapidation provision relates to costs to restore a premises to its original condition.

The business insurance relates to premiums charged to the profit and loss account that may become payable to the insurance provider dependent upon the final claims history.

The provisions for property exposures relate to a property valued by the Group less income from sub-let of the premises.

20 Employee benefits

Samworth Brothers Limited (the Company) operates a defined benefit pension arrangement called the Samworth Brothers Limited Superannuation Scheme (the Scheme). The Scheme provides benefits based on final salary and length of service on retirement, leaving service or death. The following disclosures exclude any allowance for defined contributions schemes operated by the Company.

The Scheme is subject to the Statutory Funding Objective under the Pensions Act 2004. A valuation of the Scheme is carried out at least once every three years to determine whether the Statutory Funding Objective is met. As part of the process, the Company must agree with the trustees of the Scheme the contributions to be paid to address any shortfall against the Statutory Funding Objective and contributions to pay for future accrual of benefits.

The most recent comprehensive actuarial valuation of the Scheme was carried out as at 5th April 2014. The results of that valuation were updated by an independent qualified actuary to 31 December 2016 allowing for cash flows in and out of the Scheme and changes to assumption over the period.

Explanation of amounts in the financial statements

	2016 £000	2015 £000
Amounts recognised in the Balance Sheet		
Fair value of assets	**418,578**	350,638
Present value of funded obligations	**(591,194)**	(420,112)
Defined benefit liability at 31 December 2016	**(172,616)**	(69,474)

Notes *(continued)*

20 Employee benefits *(continued)*

	2016 £000	2015 £000
Amounts recognised in the Profit & Loss account over the year:		
Current service cost	**10,677**	15,129
Administrative costs	**2,256**	2,019
Interest on liabilities	**17,029**	15,618
Interest on assets	**(14,383)**	(13,750)
Total	**15,579**	19,016

	2016 £000	2015 £000
Amounts recognised in other comprehensive income over the year:		
(Gain)/loss on scheme assets in excess of interest	**(44,564)**	15,087
Experience losses on liabilities	**-**	66
Gains from changes to demographic assumptions	**(6,078)**	-
Losses/(gains) from changes to financial assumptions	**148,733**	(3,412)
Total	**98,091**	11,741

	2016 £000	2015 £000
The change in fair value of Pension Scheme assets over the period was:		
Fair value of assets at the beginning of the period	**350,638**	339,349
Interest on assets	**14,383**	13,750
Contributions by employer	**10,528**	14,135
Contributions by scheme participants	**10,143**	8,801
Benefits paid	**(9,422)**	(8,291)
Administration costs	**(2,256)**	(2,019)
Return on plan assets less interest	**44,564**	(15,087)
Fair value of assets at the end of the period	**418,578**	350,638

The change in the Defined Benefit obligation over the period was

	2016 £000	2015 £000
Defined benefit obligations at the beginning of the period	**420,112**	392,201
Current service cost	**10,677**	15,129
Contributions by scheme participants	**10,143**	8,801
Interest costs	**17,029**	15,618
Benefits paid	**(9,422)**	(8,291)
Experience loss on defined benefit obligation	**-**	66
Changes to demographic assumptions	**(6,078)**	-
Changes to financial assumptions	**148,733**	(3,412)
Defined benefit obligation at the end of the period	**591,194**	420,112

Notes *(continued)*

20 Employee benefits *(continued)*

Assets

The major categories of assets as a percentage of total assets are as follows:	**2016**	2015
	%	%
Asset category		
Equities	**29.2%**	27.4%
Gilts	**26.4%**	22.6%
Property	**7.3%**	-
Bonds	**-**	2.3%
Cash and Net Current Assets	**1.7%**	2.6%
Other assets	**35.4%**	45.1%
	100.0%	100.0%

The assets do not include any investments in shares of the Company or in property that is occupied by the Company.

Actuarial assumptions

The principal actuarial assumptions used to calculate the Scheme liabilities include:

	2016	2015
	%	%
Discount rate	**2.80% pa**	4.05% pa
Inflation assumption		
- RPI	**3.55% pa**	3.55% pa
- CPI	**2.55% pa**	2.55% pa
Pension increases:		
- CPI max 5%	**2.55% pa**	2.55% pa
- CPI max 3%	**2.25% pa**	2.25% pa
- CPI max 2.5%	**2.05% pa**	2.05% pa
Revaluation in deferment	**2.55% pa**	2.55% pa
Salary increases	**2.55% pa**	2.55% pa

	2016	2015
Post retirement mortality	115% of S2NA tables CMI 2015 projections with long term rates of improvement of 1.0%pa	115% of S2NA tables CMI 2013 projections with long term rates of improvement of 1.0%pa
Tax free cash	80 percent of members to take the maximum tax free cash possible, using current factors in force	80 percent of members to take the maximum tax free cash possible, using current factors in force

Other assumptions as at 31 December 2016 and 2 January 2016 are as for the long term ongoing funding basis in the actuarial valuation of 5 April 2014.

Projected profit and loss account for the year to 30 December 2017

	£000
Current service cost	19,769
Administrative costs	2,298
Interest on liabilities	16,567
Interest on assets	(11,830)
Total expense recognised in profit or loss	**26,804**

Notes *(continued)*

21 Capital and reserves

Share capital

	2016	2015
	£000	£000
Allotted, called up and fully paid		
5,535 ordinary shares of £1 each	**5**	5
Shares classified in shareholders' funds	**5**	5

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

22 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2016	2015
	£000	£000
Less than one year	**6,855**	5,793
Between one and five years	**16,280**	12,040
More than five years	**9,217**	7,212
	32,352	25,045

During the year £7,040,000 was recognised as an expense in the profit and loss account in respect of operating leases *(2015: £6,504,000).*

23 Commitments

Capital commitments

The Company contractual commitments to purchase tangible fixed assets at the year-end were £13,887,000 *(2015: £1,541,000).*

24 Related parties

The Company has taken advantage of the exemption under FRS 102.33 'Related Party Transactions' for wholly owned subsidiaries not to disclose intra-group transactions. During the year, certain managerial functions and staff were provided by JDM Solutions, a Company under common ownership. The Company has been invoiced management charges in respect of group services provided in the year of £9,807,000 *(2015: £11,850,000)* with a creditor of £12,905,000 *(2015: £16,446,000)* outstanding at the year end.

25 Ultimate parent Company and parent Company of larger group

The directors regard the Trustees of a number of Private Trusts, acting in concert, to be the ultimate controlling body of the group by virtue of their interest in the share capital of Samworth Brothers (Holdings) Limited.

The largest and smallest group in which the results of the Company are consolidated is that headed by Samworth Brothers (Holdings) Limited. The consolidated financial statements of the group are available to the public and may be obtained from Samworth Way, Chetwode House, Melton Mowbray, Leicestershire LE13 1GA.

Notes *(continued)*

26 Accounting estimates and judgements

The Company has a defined benefit pension scheme, valued by a qualified actuary. The assumptions used are disclosed in note 20; the assets are recognised at fair value.

27 Acquisitions

Acquisitions in the current period - The Brooklands Bakery

On 20 October 2016 the company acquired the trade and assets of Euphorium (North London) Limited, subsequently renamed The Brooklands Bakery. The company is a manufacturer and distributor of morning goods. The business contributed sales of £2.3 million and reported a net loss of £1.4 million for the post acquisition period to the year end.

Effect of acquisition

The provisional fair values of the assets and liabilities acquired at the acquisition date were:

	Book values £000	Fair value arrangement £000	Fair values on acquisition £000
Acquiree's net assets at acquisition date:			
Tangible assets	750	-	750
Stocks	449	-	449
Trade and other debtors	252	-	252
Trade and other creditors	(6)	-	(6)
Provisions	-	(500)	(500)
Net identifiable assets and liabilities	1,445	(500)	945
Negative goodwill			(1,721)
Total cost of business combinations			(776)
Consideration paid			
Initial cash price (net cash inflow as amounts receivable from vendor exceed consideration paid)			(855)
Deal costs			79
Total consideration			(776)

The fair value adjustment of £500,000 relates to property exposures identified at the acquisition date.

Acquisitions in the current period – West Cornwall Pasty Co. Limited

On 23 December 2016, Samworth Brothers Limited acquired 100% of the ordinary share capital of West Cornwall Pasty Co. Limited for a consideration of £13,023,000. The fair value of identifiable assets and liabilities was £9,050,000 giving rise to goodwill on acquisition of £3,973,000. The consolidation of West Cornwall Pasty Co. Limited is performed in the financial statements of Samworth Brothers (Holdings) Limited, the Company's ultimate parent undertaking.