

Pukka Pies Limited

Annual Report and Financial Statements
for the Period from 26 May 2020 to 29 May 2021

Robert Whowell & Partners
Chartered Accountants
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Pukka Pies Limited

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Pukka Pies Limited

Company Information

Directors A. J. Storer
T. D. Storer
V. C. Storer

Company secretary A. J. Storer

Registered office The Halfcroft
Syston
Leicester
LE7 1LD

Auditors Robert Whowell & Partners
Chartered Accountants
Westwood House
78 Loughborough Road
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Pukka Pies Limited

Strategic Report for the Period from 26 May 2020 to 29 May 2021

The directors present their strategic report for the period from 26 May 2020 to 29 May 2021.

Principal activity

The principal activity of the company is the manufacture of high quality savoury pastry products. There has been no change of activities during the year.

Fair review of the business

The directors are satisfied with performance over the last twelve months, given the demanding and volatile nature of the current market. The company's focus remains to meet all of the requirements of the customer base by delivering a superior quality product; offering excellent value for money; with best-in industry service levels.

Turnover increased to £58.1m from £53.1m over the last year, as a result of new product launches, improved distribution in existing customers and retail category growth.

The pandemic weighed heavily upon the business over the last twelve months. For large parts of the financial year the food service channel was operating at significantly reduced capacity. Demand for retail products spiked but was volatile across the entire financial year which put pressure on operations. None the less the company rose to these exceptional circumstances, servicing all of our customer orders and requirements.

The company incurred higher operating costs as a result of the pandemic in order to maintain the safety of all colleagues and cover higher levels of absence.

Commodity inflation impacted the profit and loss account towards the end of the year, mainly derived from Brexit related influences and supply chain disruption.

The company is in the middle of a multi-year capex investment program, with the objective of transforming our bakery via investment in production. Tangible capital expenditure was £3.9m for the year (vs £3.7m in 2020). Capital expenditure will pick up further in 2022 with £6.1m of spend planned.

In line with our three year strategy we have continued to invest in the brand both in terms of advertising spend and innovation, with a major new range launch scheduled for Autumn 2021.

Included within other income is £221,075 relating to the Coronavirus Job Retention Scheme which is non-recurring in nature. The vast majority of this income was accrued in the first quarter of the financial year, as a result of most of our food service customers pausing their operations during the first national lockdown.

Pukka Pies Limited

Strategic Report for the Period from 26 May 2020 to 29 May 2021

Principal risks and uncertainties

Supply Chain

Security of supply is the most significant risk currently facing the company and the food industry in general, due to significant disruption of global supply chains over the last twelve months. To mitigate against this risk the company has increased levels of stock and has entered into long term buying agreements to safeguard supply, which has resulted in the company incurring additional costs.

COV-19

The emergence of COV-19 in late 2019 alongside the associated restrictions/lockdowns has presented a risk to our operations. Demand for our products has become volatile across each of our major channels, which has impacted our production efficiency. Government support in the form of the Coronavirus Job Retention Scheme was utilised to ensure jobs were protected in the channels most severely impacted. The company has taken a cautious approach towards the relaxation of controls in order to protect our bakery and its staff and ensure service levels are maintained.

Brexit

The departure of the UK from the European Union has resulted in the business incurring additional costs.

Food Safety

The directors, management and all employees make food safety their highest priority. The company operates from state-of-the-art premises and maintains grade AA accreditation to the BRC Global Standard for Food Safety. This includes the operation of a robust HACCP system across all product lines. The onsite microbiological laboratory is also independently accredited by CLAS.

Section 172(1) statement

Our three-year strategy drives the success of the company and contributes to delivering both a high-quality product and service to our customers and consumers to 2024 and beyond. We will continue to operate our business efficiently and in line with our regulatory duties.

Our employees are fundamental to the delivery of our strategy, with their safety, health and well-being as one of our primary considerations in the way we do business. We aim to be a responsible employer in our approach to pay and benefits.

Our duty is to provide a quality product which meets and exceeds our customers' and consumers expectations. Our strategy was informed by engagement with customers, consumers and market research, enabling us to gain an understanding of their views and priorities. We aim to act responsibly and fairly in how we engage with our suppliers who are integral to the successful delivery of our plan.

Our strategy considers the impact of the company's operations on the local community and environment and our wider social responsibilities.

Our marketing campaign has been developed to maintain our number one market leading position. Who we are and how we act externally with our customers and consumers is what makes us 'The People's Pie' – the nations favourite pie brand.

Pukka Pies Limited

Strategic Report for the Period from 26 May 2020 to 29 May 2021

The directors' intention is to behave responsibly and ensure the Senior Leadership Team also consistently operate the business in an ethical manner. We aim to maintain high levels of corporate governance and firmly believe our ESG strategy will help contribute to the overall delivery of our business strategy.

The directors' purpose is to behave responsibly toward our shareholders and treat them fairly and equally, so they too may benefit from the successful delivery of our strategy.

The directors of Pukka Pies Limited consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172 (1) (a-f) of the Companies Act 2006) in the decisions taken during the year ended 29 May 2021. In particular, by reference to the continued implementation of our three year strategy covering the period to 2022.

Engagement with employees

We recognise that our employees are key to the success of our business and engaging with them is of critical importance in maintaining strong business delivery in times of change. We strive to maintain strong communication between all levels of our employees. We have an open-door policy with our directors and both the Senior Leadership Team and management regularly engage with the employees through a range of formal and informal channels, including employee forums, regular company briefs and senior management and director walk arounds.

The directors consider effective engagement a key element of its understanding of the company's ability to create value as it recognises that our people are our greatest asset. Employee views can help inform the Board on matters such as operational effectiveness, culture, risk identification and strategy development and delivery.

The Board considers the current employee engagement approach to be effective.

Pukka Pies Limited

Strategic Report for the Period from 26 May 2020 to 29 May 2021

Engagement with suppliers, customers and other relationships

Delivering our strategy requires strong mutually beneficial relationships with both our suppliers and customers. Pukka Pies Limited seeks to promote the high level of and application of certain general principles in such relationships, and these shared beliefs help to underpin the relationship. The ability to promote these principles effectively is an important factor in the decision to enter into or remain in such relationships.

Approved by the Board on 13 December 2021 and signed on its behalf by:

.....
A. J. Storer
Company secretary

Pukka Pies Limited

Directors' Report for the Period from 26 May 2020 to 29 May 2021

The directors present their report and the financial statements for the period from 26 May 2020 to 29 May 2021.

Directors of the company

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

A. J. Storer

T. D. Storer

V. C. Storer

Treasury and Financial Risk Management

The company's activities expose it to financial risks mainly categorised as credit, liquidity and foreign exchange risk.

Price risk, credit risk, liquidity risk and cash flow risk

The directors consider credit risk to be relatively low, as the company's largest customers are blue chip retail companies. All new customers are credit checked with credit only awarded where considered appropriate. Subsequent to the year end the company has implemented a credit insurance policy to further mitigate the credit risk.

In respect of bank balances, the liquidity risk is managed by maintaining a healthy cash balance throughout the year.

Trade creditor creditors liquidity risk is managed by ensuring sufficient funds are available to meet all amounts as they fall due for payment.

Foreign exchange risk is minimal, as most purchases are from UK companies. Any exposure is mitigated by seeking to fix the exchange risk through forward contracts.

Equal opportunity employment

Pukka Pies Limited is committed to equality of opportunity in all its employment practices, policies and procedures. This means that no employee, or potential employee, will receive less favourable treatment due to their gender, sexual orientation, marital status, race, disability, political or religious beliefs. The company maintains a company policy for ensuring employee involvement in matters of concern to them and providing employees with relevant information.

Pukka Pies Limited

Directors' Report for the Period from 26 May 2020 to 29 May 2021

Environmental report

We have considered the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) when preparing this report. These recommendations encourage businesses to increase disclosure of climate-related information, with an emphasis on financial disclosure. Pukka Pies Limited supports these recommendations and are committed to disclosing the relevant information which can be found below.

Governance

Climate change and risks resulting from greenhouse gas emissions have been identified as a significant consideration for Pukka Pies Limited and are managed in accordance with the Board.

Strategy

Our strategy to assess and manage risks and opportunities resulting from climate change includes consideration of different time horizons and specific risks:

- commercial risk: the potential for structural shifts in demand profiles for our products;
- regulatory risks: the potential for strengthening of existing, and introduction of new, regulations;
- physical risk: the potential impact on our facilities and the community in which we operate to changing physical conditions; and
- societal risk: the potential for a deteriorating relationship with the public and other companies with which Pukka Pies Limited operates.

We categorise different time horizons and the relevance for the identification of risks and business planning:

- Short term (up to three years): detailed financial projections are developed and used to manage performance and expectations on a three-year cycle;
- Medium term (three to ten years): the majority of production and earnings would be expected to be generated in this period from our existing assets;
- Long term (over ten years); it is expected that Pukka Pies Limited will go through changes and evolution with the energy transition. Decision making and risk identification will be guided by the pace of progress of society and in step with society as it moves towards the goals of the Paris Agreement.

Pukka Pies Limited

Directors' Report for the Period from 26 May 2020 to 29 May 2021

Emissions and energy consumption

The organisation has taken guidance from the UK Government Environmental Reporting Guidelines (March 2019), the GHG Reporting Protocol - Corporate Standard, and from the UK Government GHG Conversion Factors for Company Reporting document for calculating carbon emissions. Energy usage information (gas and electricity) has been obtained directly from our energy suppliers and HH/AMR data, where available. For suppliers where there wasn't complete twelve month energy usage available, flat profile estimation techniques were used to complete the annual consumption. Transport mileage and/or fuel usage data was provided for our company owned vehicles. CO₂e emissions were calculated using the appropriate emissions factors from the UK Government GHG conversion information.

During the period from 26 May 2020 to 29 May 2021, Pukka Pies Limited recorded greenhouse gas emissions from:

- Combustion of gas of 2,179.00 tonnes of CO₂e per year (2020 - 1,787.00).
- Purchased electricity of 2,140.00 tonnes of CO₂e per year (2020 - 2,460.00).
- Combustion of fuel for transport of 347.00 tonnes of CO₂e per year (2020 - 505.00).
- Emissions from employee owned vehicles of 4.00 tonnes of CO₂e per year (2020 - 2.00).

Summary of energy consumption for the period from 26 May 2020 to 29 May 2021:

Description	Unit of measurement	2021	2020
Combustion of gas	Kwh	11,895,327	9,718,772
Combustion of fuel for transport	Kwh	1,465,140	2,098,704
Purchased electricity	Kwh	10,076,815	10,551,860
Emissions from employee owned vehicles	Kwh	17,444	4,322

Pukka Pies Limited

Directors' Report for the Period from 26 May 2020 to 29 May 2021

Intensity ratio

Production tonnage

The tonnes of CO₂e produced per production tonnage. During the period from 26 May 2020 to 29 May 2021 this was 0.28% (2020 - 0.28%).

During the year we continued our progress with achieving energy efficiencies with significant investment and improved working practices in the following areas:

- reducing the number of vehicles
- running full lines
- reducing the number of change overs
- installation of LED lighting on proximity sensors
- replacing single pane windows with double glazed windows
- replacing old boilers with new energy efficient gas boilers with economisers fitted
- replacing old vessels with fewer vessels of higher capacity with cooling by vacuum instead of chiller units
- replacing domestic hot water boilers with more efficient units supplemented by solar bank

Environmental matters

Pukka Pies Limited has for many years emphasised: waste reduction; energy efficiency; minimisation of packaging; recycling and emission control.

Social and community issues

Pukka Pies Limited's charity policy is to support local registered charities operating in the immediate vicinity of the business.

In particular, Pukka Pies support local young people in sport and outdoor healthy activities are areas of special emphasis. During the year the company contributed £17,777 to charities.

In addition to monetary donations the company has donated 228,352 pies, pasties and sausage rolls through the Fare Share network, The Bread and Butter Thing and Open Hands. Fare Share redistribute surplus food from the UK food industry to charities and community groups who otherwise would be buying this food. Open Hands provide assistance to the most vulnerable and disadvantaged in society by providing weekly hot meals to those in need in Leicester. The Bread and Butter Thing is a community-led charity based in the North of England with the purpose to reduce waste by identifying edible surplus food in the UK food sector and redistributing it.

Pukka Pies Limited

Directors' Report for the Period from 26 May 2020 to 29 May 2021

Future developments

The company continues to build brand awareness and the directors expect the business to grow over the coming years. This is supported by our planned continuation in investment in advertising and our media campaign in 2021/22 building on our successful previous TV campaigns.

We are continuing to invest in our bakery during 2021/22, with an annual investment identified of circa £6m.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Approved by the Board on 13 December 2021 and signed on its behalf by:

.....
A. J. Storer

Company secretary

Pukka Pies Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities 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). 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 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.

Pukka Pies Limited

Independent Auditor's Report to the Members of Pukka Pies Limited

Opinion

We have audited the financial statements of Pukka Pies Limited (the 'company') for the period from 26 May 2020 to 29 May 2021, which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 29 May 2021 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.

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

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the original financial statements were authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Pukka Pies Limited

Independent Auditor's Report to the Members of Pukka Pies Limited

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.

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 this regard.

Opinion on other matter prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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

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

Pukka Pies Limited

Independent Auditor's Report to the Members of Pukka Pies Limited

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities [set out on page 11], 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

A full audit has been undertaken without any restrictions to provide reasonable assurance that any acts of omission or commission intentional or unintentional, committed by the entity, or by those charged with governance, by management or by other individuals working for or under the direction of the entity, which are contrary to the prevailing laws or regulations have not occurred. This included assessing the control environment, testing of the robustness of the company's existing systems and controls and reviewing the company's risk assessment process. The matters of significance giving rise to risk, notably the effects of COVID-19 and Brexit on the general economy and on the performance of the company, have not given us any concerns that this reasonable assurance cannot be achieved.

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

Pukka Pies Limited

Independent Auditor's Report to the Members of Pukka Pies Limited

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.

.....
Ian Agar FCA (Senior Statutory Auditor)

For and on behalf of:

Robert Whowell & Partners, Statutory Auditor

Westwood House

78 Loughborough Road

Quorn

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Leicestershire

LE12 8DX

13 December 2021

Pukka Pies Limited

Profit and Loss Account for the Period from 26 May 2020 to 29 May 2021

	Note	2021 £	2020 £
Turnover	<u>3</u>	58,127,169	53,097,563
Cost of sales		<u>(36,576,859)</u>	<u>(33,618,206)</u>
Gross profit		21,550,310	19,479,357
Administrative expenses		(15,984,421)	(15,696,398)
Other operating income	<u>4</u>	<u>339,740</u>	<u>254,573</u>
Operating profit	<u>5</u>	<u>5,905,629</u>	<u>4,037,532</u>
Other interest receivable and similar income	<u>6</u>	11,696	62,593
Interest payable and similar expenses	<u>7</u>	<u>(69,008)</u>	<u>(5,000)</u>
		<u>(57,312)</u>	<u>57,593</u>
Profit before tax		5,848,317	4,095,125
Tax on profit	<u>11</u>	<u>(709,891)</u>	<u>(835,586)</u>
Profit for the financial period		<u><u>5,138,426</u></u>	<u><u>3,259,539</u></u>

The above results were derived from continuing operations.

The notes on pages 21 to 38 form an integral part of these financial statements.

Pukka Pies Limited

Statement of Comprehensive Income for the Period from 26 May 2020 to 29 May 2021

	Note	2021 £	2020 £
Profit for the period		5,138,426	3,259,539
Remeasurement gain/(loss) on defined benefit pension scheme	<u>20</u>	1,448,000	(3,911,000)
Income tax effect on other comprehensive income	<u>11</u>	(236,930)	760,000
		<u>1,211,070</u>	<u>(3,151,000)</u>
Total comprehensive income for the period		<u><u>6,349,496</u></u>	<u><u>108,539</u></u>

The notes on pages 21 to 38 form an integral part of these financial statements.

Pukka Pies Limited
(Registration number: 01008747)
Balance Sheet as at 29 May 2021

	Note	2021 £	2020 £
Fixed assets			
Tangible assets	<u>12</u>	23,210,500	21,292,031
Current assets			
Stocks	<u>13</u>	5,704,544	5,086,218
Debtors	<u>14</u>	9,187,226	9,147,485
Cash at bank and in hand	<u>15</u>	11,041,600	10,155,237
		25,933,370	24,388,940
Creditors: Amounts falling due within one year	<u>16</u>	(5,325,212)	(4,937,937)
Net current assets		20,608,158	19,451,003
Total assets less current liabilities		43,818,658	40,743,034
Provisions for liabilities	<u>17</u>	(573,198)	(837,000)
Net assets excluding pension liability		43,245,460	39,906,034
Net pension liability		(2,387,930)	(3,398,000)
Net assets		40,857,530	36,508,034
Capital and reserves			
Called up share capital	<u>19</u>	50,000	50,000
Revaluation reserve	<u>20</u>	3,415,396	3,493,019
Profit and loss account	<u>20</u>	37,392,134	32,965,015
Total equity		40,857,530	36,508,034

Approved and authorised by the Board on 13 December 2021 and signed on its behalf by:

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T. D. Storer
Director

The notes on pages 21 to 38 form an integral part of these financial statements.

Pukka Pies Limited

Statement of Changes in Equity for the Period from 26 May 2020 to 29 May 2021

	Share capital	Revaluation	Profit and loss	Total
	£	reserve	account	£
At 26 May 2020	50,000	3,493,019	32,965,015	36,508,034
Profit for the period	-	-	5,138,426	5,138,426
Other comprehensive income	-	(77,623)	1,288,693	1,211,070
Total comprehensive income	-	(77,623)	6,427,119	6,349,496
Dividends	-	-	(2,000,000)	(2,000,000)
At 29 May 2021	50,000	3,415,396	37,392,134	40,857,530

	Share capital	Revaluation	Profit and loss	Total
	£	reserve	account	£
At 26 May 2019	50,000	3,570,642	32,778,853	36,399,495
Profit for the period	-	-	3,259,539	3,259,539
Other comprehensive income	-	(77,623)	(3,073,377)	(3,151,000)
Total comprehensive income	-	(77,623)	186,162	108,539
At 25 May 2020	50,000	3,493,019	32,965,015	36,508,034

The notes on pages 21 to 38 form an integral part of these financial statements.

Pukka Pies Limited

Statement of Cash Flows for the Period from 26 May 2020 to 29 May 2021

	Note	2021 £	2020 £
Cash flows from operating activities			
Profit for the period		5,138,426	3,259,539
Adjustments to cash flows from non-cash items			
Depreciation and amortisation	<u>5</u>	1,875,570	1,280,978
Financial instrument net losses through profit and loss		132,000	86,000
Loss/(profit) on disposal of tangible assets	<u>5</u>	60,665	(6,301)
Finance income	<u>6</u>	(11,696)	(62,593)
Finance costs	<u>7</u>	69,008	5,000
Income tax expense	<u>11</u>	709,891	835,586
		7,973,864	5,398,209
Working capital adjustments			
(Increase)/decrease in stocks	<u>13</u>	(618,326)	370,452
Increase in trade debtors	<u>14</u>	(39,741)	(2,086,556)
Increase in trade creditors	<u>16</u>	253,573	1,019,783
Increase in retirement benefit obligation net of actuarial changes		69,000	5,000
Cash generated from operations		7,638,370	4,706,888
Income taxes paid		(839,991)	(618,966)
Net cash flow from operating activities		6,798,379	4,087,922
Cash flows from investing activities			
Interest received	<u>6</u>	11,696	62,593
Acquisitions of tangible assets	<u>12</u>	(3,921,353)	(3,670,588)
Proceeds from sale of tangible assets		66,649	12,000
Net cash flows from investing activities		(3,843,008)	(3,595,995)
Cash flows from financing activities			
Interest paid	<u>7</u>	(69,008)	(5,000)
Dividends paid		(2,000,000)	-
Net cash flows from financing activities		(2,069,008)	(5,000)
Net increase in cash and cash equivalents		886,363	486,927
Cash and cash equivalents at 26 May 2020	<u>15</u>	10,155,237	9,668,310
Cash and cash equivalents at 29 May 2021	<u>15</u>	11,041,600	10,155,237

The notes on pages 21 to 38 form an integral part of these financial statements.

Pukka Pies Limited

Notes to the Financial Statements for the Period from 26 May 2020 to 29 May 2021

1 General information

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is:

The Halfcroft
Syston
Leicester
LE7 1LD

These financial statements were authorised for issue by the Board on 13 December 2021.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that, as disclosed in the accounting policies, certain items are shown at fair value.

Pukka Pies Limited

Notes to the Financial Statements for the Period from 26 May 2020 to 29 May 2021

Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Useful economic lives of tangible fixed assets. The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 12 for the carrying amount of the tangible fixed assets and see the policy below for the useful economic lives of each class of asset.

(ii) Defined benefit pension scheme. The company has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimate these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. See note 18 for the disclosures relating to the defined benefit pension scheme.

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the company's activities. Turnover is shown net of value added tax, returns, rebates and discounts.

The company recognises revenue when: the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met for each of the company's activities.

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit and loss account, except that a change attributable to an item of income or expense recognised as other comprehensive income is recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Pukka Pies Limited

Notes to the Financial Statements for the Period from 26 May 2020 to 29 May 2021

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the financial statements.

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

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Land and buildings	2% straight line
Fixtures, fittings and equipment	15% to 30% reducing balance
Motor vehicles	25% reducing balance

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the debtors.

Pukka Pies Limited

Notes to the Financial Statements for the Period from 26 May 2020 to 29 May 2021

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

The cost of raw materials and finished goods comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition. At each reporting date, stocks are assessed for impairment. If stocks are impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in the profit and loss account.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as an employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

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Notes to the Financial Statements for the Period from 26 May 2020 to 29 May 2021

Defined benefit pension obligation

The company recognises a defined benefit pension asset or liability in the balance sheet as the net total of the present value of its obligations and the fair value of plan assets out of which the obligations are to be settled. The defined benefit liability is measured on a discounted present value basis using a rate determined by reference to market yields at the reporting date on high quality corporate bonds. Defined benefit obligations and the related expenses are measured using the projected unit credit method. Plan surpluses are recognised as a defined benefit asset only to the extent that the surplus is recoverable either through reduced contributions in the future or through refunds from the plan.

Changes in the defined benefit asset or liability arising from employee service are recognised in comprehensive income as a current service cost where it relates to services in the current period and as a past service cost where it relates to services in prior periods. Costs relating to plan introductions, benefit changes, curtailments and settlements are recognised in comprehensive income in the period in which they occur.

Net interest is determined by multiplying the defined benefit liability by the discount rate, both as determined at the start of the reporting period, taking account of any changes in the defined benefit liability during the period as a result of contribution and benefit payments. Net interest is recognised in comprehensive income.

3 Turnover

The analysis of the company's revenue for the period from continuing operations is as follows:

	2021	2020
	£	£
Sale of goods	<u>58,127,169</u>	<u>53,097,563</u>

The analysis of the company's turnover for the period by market is as follows:

	2021	2020
	£	£
UK	57,796,460	52,776,271
Europe	280,824	315,510
Rest of world	<u>49,885</u>	<u>5,782</u>
	<u>58,127,169</u>	<u>53,097,563</u>

Pukka Pies Limited

Notes to the Financial Statements for the Period from 26 May 2020 to 29 May 2021

4 Other operating income

The analysis of the company's other operating income for the period is as follows:

	2021	2020
	£	£
Rental income	118,665	117,971
Job retention scheme grant	221,075	136,602
	<u>339,740</u>	<u>254,573</u>

5 Operating profit

Arrived at after charging/(crediting):

	2021	2020
	£	£
Depreciation	1,875,570	1,280,978
Loss/(profit) on disposal of property, plant and equipment	<u>60,665</u>	<u>(6,301)</u>

6 Other interest receivable and similar income

	2021	2020
	£	£
Interest income on bank deposits	<u>11,696</u>	<u>62,593</u>

7 Interest payable and similar expenses

	2021	2020
	£	£
Interest expense on other finance liabilities	8	-
Other finance costs	<u>69,000</u>	<u>5,000</u>
	<u>69,008</u>	<u>5,000</u>

Pukka Pies Limited

Notes to the Financial Statements for the Period from 26 May 2020 to 29 May 2021

8 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2021	2020
	£	£
Wages and salaries	13,725,164	12,512,610
Social security costs	1,198,343	1,105,737
Pension costs, defined contribution scheme	642,722	395,099
Pension costs, defined benefit scheme	64,462	126,008
Other post-employment benefit costs	132,000	86,000
Staff training and welfare	143,452	171,906
	<u>15,906,143</u>	<u>14,397,360</u>

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

	2021	2020
	No.	No.
Staff	383	377
Directors	3	3
	<u>386</u>	<u>380</u>

Pukka Pies Limited

Notes to the Financial Statements for the Period from 26 May 2020 to 29 May 2021

9 Directors' remuneration

The directors' remuneration for the period was as follows:

	2021	2020
	£	£
Remuneration	<u>718,069</u>	<u>749,718</u>

During the period the number of directors who were receiving benefits and share incentives was as follows:

	2021	2020
	No.	No.
Accruing benefits under defined benefit pension scheme	<u>1</u>	<u>1</u>

In respect of the highest paid director:

	2021	2020
	£	£
Remuneration	<u>281,918</u>	<u>311,660</u>

10 Auditors' remuneration

	2021	2020
	£	£
Audit of the financial statements	<u>23,357</u>	<u>18,400</u>
Other fees to auditors		
Taxation compliance services	4,874	5,935
All other tax advisory services	14,926	12,755
All other assurance services	4,421	-
All other services relating to corporate finance transactions on behalf of the company	11,418	10,810
All other non-audit services	<u>5,080</u>	<u>6,975</u>
	<u>40,719</u>	<u>36,475</u>

Pukka Pies Limited

Notes to the Financial Statements for the Period from 26 May 2020 to 29 May 2021

11 Taxation

Tax charged/(credited) in the profit and loss account:

	2021 £	2020 £
Current taxation		
UK corporation tax	969,287	635,586
UK corporation tax adjustment to prior periods	4,406	-
	<u>973,693</u>	<u>635,586</u>
Deferred taxation		
Arising from origination and reversal of timing differences	(263,802)	200,000
	<u>709,891</u>	<u>835,586</u>
Tax expense in the profit and loss account		

The tax on profit before tax for the period is lower than the standard rate of corporation tax in the UK (2020 - higher than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

	2021 £	2020 £
Profit before tax	<u>5,848,317</u>	<u>4,095,125</u>
Corporation tax at standard rate	1,111,180	778,074
Effect of expense not deductible in determining taxable profit	36,691	16,129
Increase in UK current tax from adjustment for prior periods	4,406	-
Tax decrease from effect of capital allowances and depreciation	(178,584)	(158,617)
Tax (decrease)/increase from other short-term timing differences	<u>(263,802)</u>	<u>200,000</u>
Total tax charge	<u>709,891</u>	<u>835,586</u>

Pukka Pies Limited

Notes to the Financial Statements for the Period from 26 May 2020 to 29 May 2021

Deferred tax

Deferred tax assets and liabilities

	Asset £	Liability £
2021		
Accelerated capital allowances	-	568,357
Pension benefit obligations	560,120	-
	<u>560,120</u>	<u>568,357</u>

	Asset £	Liability £
2020		
Accelerated capital allowances	-	837,000
Pension benefit obligations	797,050	-
	<u>797,050</u>	<u>837,000</u>

Tax relating to items recognised in other comprehensive income or equity

	2021 £	2020 £
Deferred tax related to items recognised as items of other comprehensive income	<u>(236,930)</u>	<u>760,000</u>

Pukka Pies Limited

Notes to the Financial Statements for the Period from 26 May 2020 to 29 May 2021

12 Tangible assets

	Land and buildings £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost or valuation				
At 26 May 2020	14,996,209	28,259,402	2,107,621	45,363,232
Additions	30,640	3,886,273	4,440	3,921,353
Disposals	-	(181,627)	(541,787)	(723,414)
At 29 May 2021	15,026,849	31,964,048	1,570,274	48,561,171
Depreciation				
At 26 May 2020	1,300,000	21,272,785	1,498,416	24,071,201
Charge for the period	260,000	1,475,978	139,592	1,875,570
Eliminated on disposal	-	(109,590)	(486,510)	(596,100)
At 29 May 2021	1,560,000	22,639,173	1,151,498	25,350,671
Carrying amount				
At 29 May 2021	13,466,849	9,324,875	418,776	23,210,500
At 25 May 2020	13,696,209	6,986,617	609,205	21,292,031

Included within the net book value of land and buildings above is £13,466,849 (2020 - £13,696,209) in respect of freehold land and buildings.

Revaluation

The fair value of the company's freehold property was revalued on 25 May 2015 by an independent valuer. The freehold property was revalued by Innes England, Chartered Surveyors of 12 DeMontfort Street, Leicester. The valuation was carried out using a depreciated replacement costs basis. Had this class of asset been measured on a historical cost basis the carrying amount would have been £9,104,979 (2020 - £9,344,559).

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Notes to the Financial Statements for the Period from 26 May 2020 to 29 May 2021

13 Stocks

	2021 £	2020 £
Raw materials	4,514,145	3,895,093
Work in progress	61,051	86,981
Finished goods	1,129,348	1,104,144
	<u>5,704,544</u>	<u>5,086,218</u>

14 Debtors

	2021 £	2020 £
Trade debtors	8,374,392	8,654,366
Other debtors	685,945	361,368
Prepayments	126,889	131,751
	<u>9,187,226</u>	<u>9,147,485</u>

15 Cash and cash equivalents

	2021 £	2020 £
Cash on hand	13,008	1,944
Cash at bank	1,000	85,658
Short-term deposits	11,027,592	10,067,635
	<u>11,041,600</u>	<u>10,155,237</u>

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Notes to the Financial Statements for the Period from 26 May 2020 to 29 May 2021

16 Creditors

	2021 £	2020 £
Due within one year		
Trade creditors	2,323,755	2,673,987
Social security and other taxes	390,407	290,101
Other payables	-	6,021
Accruals and deferred income	2,141,762	1,632,242
Income tax liability	469,288	335,586
	<u>5,325,212</u>	<u>4,937,937</u>

17 Provisions for liabilities

	Deferred tax £	Total £
At 26 May 2020	837,000	837,000
Decrease in existing provisions	<u>(263,802)</u>	<u>(263,802)</u>
At 29 May 2021	<u>573,198</u>	<u>573,198</u>

18 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £642,722 (2020 - £395,099).

Pukka Pies Limited

Notes to the Financial Statements for the Period from 26 May 2020 to 29 May 2021

Defined benefit pension schemes

Pukka Pies Limited Pension Scheme

Pukka Pies Limited operate a defined benefit pension arrangement called the Pukka Pies Limited Pension Scheme. The company currently pays 10% of the pensionable salaries to cover the benefit accrual for active members.

The date of the most recent comprehensive actuarial valuation was 05 April 2019. The liabilities shown for this FRS 102 valuation represent an update of the latest triennial actuarial valuation as at 05 April 2019 with allowance made for further benefit accrual, interest on the scheme liabilities, benefits that have been paid out of the scheme and changes in market conditions. In addition, allowance has been made for benefit increases over the period compared to the assumed increases at the start of the period.

The total cost relating to the defined benefit scheme for the period recognised in the profit and loss account as an expense was £265,462 (2020 - £217,008).

Reconciliation of scheme assets and liabilities to assets and liabilities recognised

The amounts recognised in the statement of financial position are as follows:

	2021	2020
	£	£
Fair value of scheme assets	33,482,000	33,149,000
Present value of defined benefit obligation	<u>(36,430,000)</u>	<u>(37,344,000)</u>
Defined benefit pension scheme deficit	<u><u>(2,948,000)</u></u>	<u><u>(4,195,000)</u></u>

Pukka Pies Limited

Notes to the Financial Statements for the Period from 26 May 2020 to 29 May 2021

Defined benefit obligation

Changes in the defined benefit obligation are as follows:

	2021 £
Present value at start of period	37,344,000
Current service cost	226,000
Interest cost	595,000
Actuarial gains and losses	(1,153,000)
Benefits paid	(676,000)
Contributions by scheme participants	94,000
	<hr/>
Present value at end of period	<u>36,430,000</u>

Fair value of scheme assets

Changes in the fair value of scheme assets are as follows:

	2021 £
Fair value at start of period	33,149,000
Interest income	526,000
Actuarial gains and losses	295,000
Employer contributions	94,000
Contributions by scheme participants	94,000
Benefits paid	(676,000)
	<hr/>
Fair value at end of period	<u>33,482,000</u>

Analysis of assets

The major categories of scheme assets are as follows:

	2021 £	2020 £
Cash and cash equivalents	127,000	117,000
Equity instruments	6,880,000	5,295,000
Debt instruments	<u>26,475,000</u>	<u>27,737,000</u>
	<hr/>	<hr/>
	<u>33,482,000</u>	<u>33,149,000</u>

Pukka Pies Limited

Notes to the Financial Statements for the Period from 26 May 2020 to 29 May 2021

Return on scheme assets

	2021 £	2020 £
Return on scheme assets	526,000	751,000

The pension scheme has not invested in any of the company's own financial instruments or in properties or other assets used by the company.

Principal actuarial assumptions

The principal actuarial assumptions at the statement of financial position date are as follows:

	2021 %	2020 %
Discount rate	2.05	1.60
Future salary increases	2.60	1.70
Future pension increases	3.00	3.00
Inflation	3.25	2.80

Post retirement mortality assumptions

	2021 Years	2020 Years
Current UK pensioners at retirement age - male	22	22
Current UK pensioners at retirement age - female	24	24
Future UK pensioners at retirement age - male	23	23
Future UK pensioners at retirement age - female	26	26

19 Share capital

Allotted, called up and fully paid shares

	No.	2021 £	No.	2020 £
Ordinary shares of £1 each	50,000	50,000	50,000	50,000

Pukka Pies Limited

Notes to the Financial Statements for the Period from 26 May 2020 to 29 May 2021

20 Reserves

Share capital

There is a single class of ordinary shares. All the shares hold full voting rights and there are no restrictions on the distribution of dividends and the repayment of capital.

Revaluation reserve

The revaluation reserve arose on the revaluation of certain fixed assets prior to transition to FRS 102. The amounts representing the equivalent depreciation are transferred to the profit and loss account reserve each year.

Profit and loss account

The profit and loss account reserve represents accumulated comprehensive income for the period and prior periods, transfers from the revaluation reserve relating to depreciation realised on revaluations, remeasurement of the net defined benefit plan and the associated tax effects less dividends paid.

The changes to each component of equity resulting from items of other comprehensive income for the current period were as follows:

	Revaluation reserve £	Retained earnings £	Total £
Depreciation transfer on property, plant and equipment revaluation	(77,623)	77,623	-
Remeasurement gain/(loss) on defined benefit pension scheme	-	1,448,000	1,448,000
Income tax effect on other comprehensive income	-	(236,930)	(236,930)
	<u>(77,623)</u>	<u>1,288,693</u>	<u>1,211,070</u>

The changes to each component of equity resulting from items of other comprehensive income for the prior year were as follows:

	Revaluation reserve £	Retained earnings £	Total £
Depreciation transfer on property, plant and equipment revaluation	(77,623)	77,623	-
Remeasurement gain/(loss) on defined benefit pension scheme	-	(3,911,000)	(3,911,000)
Income tax effect on other comprehensive income	-	760,000	760,000
	<u>(77,623)</u>	<u>(3,073,377)</u>	<u>(3,151,000)</u>

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Notes to the Financial Statements for the Period from 26 May 2020 to 29 May 2021

21 Dividends

	2021	2020
	£	£
Interim dividend of £40 (2020 - £Nil) per ordinary share	2,000,000	-

22 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £2,008,736 (2020 - £1,950,053).

23 Related party transactions

Key management compensation

	2021	2020
	£	£
Salaries and other short term employee benefits	1,157,052	1,177,777

Other transactions with directors

During the year the company paid dividends to the directors amounting to £1,117,120.

Summary of transactions with other related parties

Members of the directors' immediate family, The Storer Family Trust and the TKS Will Trust, whose beneficiaries are members of the directors' immediate family, received dividends amounting to £882,880.

Pukka Pies Limited rents a property from a limited liability partnership controlled by two of the directors and an immediate family member. The company paid rent amounting to £78,125.

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