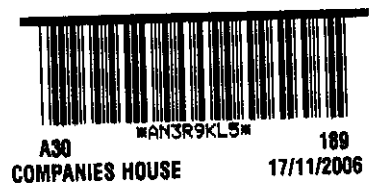


Registration number 1008747

PUKKA PIES LIMITED
FINANCIAL STATEMENTS
27 MAY 2006



PUKKA PIES LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 27 MAY 2006

The directors present their report and the financial statements for the year ended 27 May 2006.

Principal activity and review of the business

The principal activity of the company is pie manufacturing.

The company has had another satisfactory year. Turnover is 4% higher than the previous year with the gross profit being maintained at 2005 levels. The company has continued to build brand awareness and the directors expect the business to grow over the coming years.

The profit for the year, after taxation, amounted to £3,123,136. Particulars of dividends paid and proposed are detailed in the notes to the financial statements.

The directors recommend payment of a final dividend amounting to £4,000,000.

Employment policy

The company is an equal opportunities employer and gives fair consideration to applications for employment made by disabled persons.

At the start of each financial year the directors, having decided upon the company's objectives for the forthcoming year, communicate these to all employees via the notice boards in each department. The company produces a six-monthly newsletter to make all employees aware of all items affecting their interests. There are suggestion boxes and the directors' doors are always 'open' for employees to communicate innovative ideas to management and there are weekly meetings between the directors and sales employees to encourage them to become more involved in the company's performance.

The company continues to place heavy emphasis on its ethical and environmental policies which are updated on a regular basis.

Directors and their interests

The directors who served during the year and their interests in the company are as stated below:

	Class of share	27 May '06	1 Jun '05
T. K. Storer	Ordinary shares	16,200	16,200
V. C. Storer	Ordinary shares	8,000	8,000
A. J. Storer	Ordinary shares	4,100	4,100
T. D. Storer	Ordinary shares	4,100	4,100

Charitable and political contributions

During the year the company contributed £12,326 to charities.

PUKKA PIES LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 27 MAY 2006

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that year. In preparing these the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

The directors of a company must, in determining how amounts are presented within items in the profit and loss account and balance sheet, have regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles and practice.

In so far as the directors are aware:

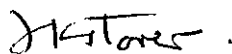
- there is no relevant audit information (information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and
- the directors have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Robert Whowell & Partners be reappointed as auditors of the company will be put to the Annual General Meeting.

This report was approved by the Board on 9 November 2006 and signed on its behalf by

T. K. Storer



.....
Secretary

PUKKA PIES LIMITED

AUDITORS REPORT
FOR THE YEAR ENDED 27 MAY 2006

**Independent auditors' report to the shareholders of
Pukka Pies Limited**

We have audited the financial statements of Pukka Pies Limited for the year ended 27 May 2006 which comprise the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

PUKKA PIES LIMITED

AUDITORS REPORT
FOR THE YEAR ENDED 27 MAY 2006

Independent auditors' report to the shareholders of Pukka Pies Limited continued

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 27 May 2006 and of its profit for the year then ended;

the financial statements have been properly prepared in accordance with the Companies Act 1985 and

the information given in the Directors' Report is consistent with the financial statements for the year ended 27 May 2006.



ROBERT WHOWELL & PARTNERS

CHARTERED ACCOUNTANTS
REGISTERED AUDITORS

Westwood House
78 Loughborough Road
Quorn
Leicestershire
LE12 8DX

9 November 2006

PUKKA PIES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 27 MAY 2006

		Continuing operations	
	Notes	2006 £	2005 £
Turnover	2	25,012,429	24,091,571
Cost of sales		(13,058,270)	(12,491,680)
Gross profit		11,954,159	11,599,891
Administrative expenses		(8,057,548)	(7,150,444)
Other operating income		36,387	-
Operating profit	3	3,932,998	4,449,447
Other interest receivable and similar income	4	594,866	678,208
Interest payable and similar charges	5	(10,000)	-
Profit on ordinary activities before taxation		4,517,864	5,127,655
Tax on profit on ordinary activities	8	(1,394,728)	(1,505,927)
Retained profit for the year	18	3,123,136	3,621,728

The notes on pages 9 to 22 form an integral part of these financial statements.

PUKKA PIES LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 27 MAY 2006

	Continuing operations	
	2006	2005
	£	£
<u>Statement of total recognised gains and losses</u>		
Profit on ordinary activities after taxation	3,123,136	3,621,728
Unrealised movement on revaluation of property	1,807,250	-
Actuarial gain in respect of defined benefit pension scheme	584,000	-
Deferred tax attributable to actuarial gain	31,000	-
Total recognised gains relating to the year	5,545,386	3,621,728
Prior year adjustment	(481,000)	-
Total recognised gains since last annual report	<u>5,064,386</u>	<u>3,621,728</u>
<u>Note of historical cost profits and losses</u>		
Profit on ordinary activities before taxation	4,517,864	5,127,655
Difference between an historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	-	23,215
Historical cost profit on ordinary activities before taxation	<u>4,517,864</u>	<u>5,150,870</u>
Historic cost profit for the year retained after taxation and dividends	<u>3,123,136</u>	<u>3,644,943</u>

The notes on pages 9 to 22 form an integral part of these financial statements.

PUKKA PIES LIMITED

BALANCE SHEET
AS AT 27 MAY 2006

		2006		2005	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	10		16,884,484		14,811,779
Investments	11		500,000		500,000
			<u>17,384,484</u>		<u>15,311,779</u>
Current assets					
Stocks	12	1,440,043		1,239,157	
Debtors	13	1,714,607		1,744,980	
Cash at bank and in hand		13,035,799		14,354,874	
		<u>16,190,449</u>		<u>17,339,011</u>	
Creditors: amounts falling due within one year	14	(5,205,708)		(5,381,451)	
Net current assets			<u>10,984,741</u>		<u>11,957,560</u>
Total assets less current liabilities			28,369,225		27,269,339
Provisions for liabilities	15		(437,500)		(475,000)
Pension liability/asset	20		(73,000)		-
Net assets			<u>27,858,725</u>		<u>26,794,339</u>
Capital and reserves					
Called up share capital	17		50,000		50,000
Revaluation reserve	18		5,341,662		3,534,412
Profit and loss account	18		22,467,063		23,209,927
Shareholders' funds	19		<u>27,858,725</u>		<u>26,794,339</u>

The financial statements were approved by the Board on 9 November 2006 and signed on its behalf by

T. K. Storer



.....
Director

The notes on pages 9 to 22 form an integral part of these financial statements.

PUKKA PIES LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 27 MAY 2006

	Notes	2006 £	2005 £
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit		3,932,998	4,449,447
Depreciation		1,126,665	1,134,188
(Increase) in stocks		(200,886)	17,991
Decrease in debtors		30,373	(184,500)
(Decrease) in creditors		(105,546)	42,274
Defined benefit pension scheme provision		197,000	-
Net cash inflow from operating activities		4,980,604	5,459,400
Cash flow statement			
Net cash inflow from operating activities		4,980,604	5,459,400
Returns on investments and servicing of finance	21	594,866	678,208
Taxation	21	(1,502,425)	(1,411,231)
Capital expenditure	21	(1,392,120)	(633,227)
		2,680,925	4,093,150
Equity dividends paid		(4,000,000)	(4,000,000)
Decrease in cash in the year		(1,319,075)	93,150
Reconciliation of net cash flow to movement in net debt (Note 22)			
Decrease in cash in the year		(1,319,075)	93,150
Net funds at 29 May 2005		14,354,874	14,261,724
Net funds at 27 May 2006		13,035,799	14,354,874

PUKKA PIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 27 MAY 2006

1. Accounting policies

1.1. Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of certain fixed assets and comply with financial reporting standards of the Accounting Standards Board.

The company has consistently applied all relevant accounting standards.

1.2. Changes in accounting policy

In preparing the financial statements for the current year, the company has adopted the following Financial Reporting Standards:

- The final transitional arrangements requiring full adoption of FRS 17 'Retirement Benefits';
- FRS 21 Events after the Balance Sheet Date;

FRS 17 'Retirement Benefits'

The company has fully adopted FRS 17 in the year.

(a) in previous years the company has made the necessary disclosures by way of a note and will now recognise gains and losses on the company defined benefit plan through the primary financial statements.

(b) the prior period adjustment shows a deficit on the pension plan of £481,000 before taxation.

(c) the change in policy has resulted in a current year surplus of £377,000 bringing the total deficit to £104,000 before taxation.

FRS 21 'Events after the Balance Sheet Date'

The adoption of FRS 21 has resulted in a change in accounting policy in respect of proposed equity dividends. If the company declares dividends to the holders of equity instruments after the balance sheet date, the company does not recognise those dividends as a liability at the balance sheet date. The aggregate amount of equity dividends proposed before approval of the financial statements, which have not been shown as liabilities at the balance sheet date, are disclosed in the notes to the financial statements. Previously, proposed equity dividends were recorded as liabilities at the balance sheet date.

The change in accounting policy has not resulted in a prior year adjustment for the company.

1.3. Turnover

Turnover represents the total invoice value (net of trade discounts), excluding value added tax, of sales made during the year.

PUKKA PIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 27 MAY 2006

1.4. Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost or valuation less residual value of each asset over its expected useful life, as follows:

Land and buildings	- 2% on cost or valuation for buildings only
Fixtures, fittings and equipment	- 15% to 30% on net book value
Motor vehicles	- 25% on net book value

The directors have adopted FRS 15 in relation to the revaluation of land and buildings. It is now company policy to carry out full valuations of these assets every five years with interim valuations in the intervening years. An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the revaluation reserve to the profit and loss reserve.

1.5. Investments

Fixed asset investments are stated at cost less provision for permanent diminution in value.

1.6. Stock

Stock is valued at the lower of cost and net realisable value.

1.7. Pensions and other post-retirement benefits

Defined Contribution Scheme

The pension costs charged in the financial statements represent the contribution payable by the company during the year.

Defined Benefit Scheme

The company operates a defined benefit pension scheme for employees. The assets of the scheme are held separately from those of the company.

Pension scheme liabilities are measured on an actuarial basis using a projected unit method and are discounted to their present value using an AA corporate bond rate.

Pension scheme assets are valued at market value at the balance sheet date.

The pension scheme deficit is recognised in full on the balance sheet.

The deferred tax relating to a defined benefit liability is offset against the defined benefit liability and not included with other deferred tax assets or liabilities.

PUKKA PIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 27 MAY 2006

1.8. Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

2. Turnover

	2006	2005
	£	£
Geographical market		
UK	24,678,652	23,774,010
Europe	333,777	317,561
	<u>25,012,429</u>	<u>24,091,571</u>

3. Operating profit

	2006	2005
	£	£
Operating profit is stated after charging:		
Depreciation and other amounts written off tangible assets	1,113,476	1,136,186
Loss on disposal of tangible fixed assets	13,189	(1,998)
Auditors' remuneration	15,000	15,000
Auditors' remuneration from non-audit work	<u>23,078</u>	<u>31,340</u>

PUKKA PIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 27 MAY 2006

4. <u>Interest receivable and similar income</u>	2006	2005
	£	£
Bank interest	594,866	678,208
	<u>594,866</u>	<u>678,208</u>
5. <u>Interest payable and similar charges</u>	2006	2005
	£	£
Net finance cost in respect of defined benefit pension scheme	10,000	-
	<u>10,000</u>	<u>-</u>
6. <u>Employees</u>		
Number of employees	2006	2005
The average monthly numbers of employees (including the directors) during the year were:	Number	Number
Directors	4	4
Staff	258	254
	<u>262</u>	<u>258</u>
Employment costs	2006	2005
	£	£
Wages and salaries	6,088,071	5,693,592
Social security costs	552,825	509,915
Pension costs	571,608	333,841
	<u>7,212,504</u>	<u>6,537,348</u>
Net finance costs of defined benefit pension scheme	10,000	-
	<u>7,222,504</u>	<u>6,537,348</u>

PUKKA PIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 27 MAY 2006

6.1. <u>Directors' emoluments</u>	2006	2005
	£	£
Remuneration and other emoluments	694,983	676,067
Pension contributions	27,520	26,320
	<u>722,503</u>	<u>702,387</u>
	Number	Number
Number of directors to whom retirement benefits are accruing under a money purchase scheme	-	-
Number of directors to whom retirement benefits are accruing under a defined benefit scheme	<u>2</u>	<u>2</u>
Highest paid director	£	£
Amounts included above:		
Emoluments and other benefits	194,123	188,410
Pension contributions	13,760	13,160
	<u>207,883</u>	<u>201,570</u>

7. Pension costs

The company operates a defined contribution pension scheme in respect of certain members of staff. The scheme and its assets are held by independent managers. The pension charge represents contributions due from the company and amounted to £53,784 (2005 - £40,182).

The company also operates a defined benefit scheme for the directors and staff. The assets of the scheme are held separately from those of the company in independently administered funds. For further information see note 20.

PUKKA PIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 27 MAY 2006

8. Tax on profit on ordinary activities

Analysis of charge in period	2006	2005
	£	£
Current tax		
UK corporation tax at 30% (2005 - 30%)	1,432,228	1,502,425
Adjustments in respect of previous periods	-	3,502
Total current tax charge	1,432,228	1,505,927
Deferred tax		
Timing differences, origination and reversal	(37,500)	-
Total deferred tax	(37,500)	-
Tax on profit on ordinary activities	1,394,728	1,505,927

Factors affecting tax charge for period

The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30 %).
The differences are explained below:

	2006	2005
	£	£
Profit on ordinary activities before taxation	4,517,864	5,127,655
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 : 30%)	1,355,359	1,538,297
Effects of:		
Expenses not deductible for tax purposes	62,100	-
Capital allowances for period in excess of depreciation	14,769	(35,871)
Adjustments to tax charge in respect of previous periods	-	3,502
Current tax charge for period	1,432,228	1,505,928

9. Dividends

Dividends paid and proposed on equity shares

	2006	2005
	£	£
Proposed at the year-end (recognised as a liability):		
Equity dividends on Ordinary shares	4,000,000	4,000,000

PUKKA PIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 27 MAY 2006

10. <u>Tangible fixed assets</u>	<u>Land and</u> <u>buildings</u> <u>freehold</u> <u>£</u>	<u>Fixtures,</u> <u>fittings and</u> <u>equipment</u> <u>£</u>	<u>Motor</u> <u>vehicles</u> <u>£</u>	<u>Total</u> <u>£</u>
Cost or valuation				
At 29 May 2005	10,650,000	13,509,485	1,987,684	26,147,169
Additions	834,566	259,869	316,624	1,411,059
Revaluation	1,415,434	-	-	1,415,434
Disposals	-	(77,790)	(266,073)	(343,863)
At 27 May 2006	12,900,000	13,691,564	2,038,235	28,629,799
Depreciation				
At 29 May 2005	187,250	9,854,202	1,293,938	11,335,390
Revaluation	(391,816)	-	-	(391,816)
On disposals	-	(69,615)	(242,120)	(311,735)
Charge for the year	204,566	641,484	267,426	1,113,476
At 27 May 2006	-	10,426,071	1,319,244	11,745,315
Net book values				
At 27 May 2006	12,900,000	3,265,493	718,991	16,884,484
At 28 May 2005	10,462,750	3,655,283	693,746	14,811,779

At various times the freehold land and buildings have been revalued. The most recent valuation was carried out by Innes England, Chartered Surveyors of 12 DeMontfort Street, Leicester in 2006. This valuation, based on depreciated replacement cost, showed an increase of £1,807,250 and was included in the financial statements for the year ended 27 May 2006. This valuation is a full valuation for FRS 15 purposes. Previous valuations were carried out in May 1990 (£1,148,166) and May 2004 (£2,475,960). Subsequent additions will be shown at cost.

The directors adopted FRS 15 during the year ended 26 May 2001 in relation to the revaluation of land and buildings. It is now company policy to carry out full valuations of these assets every five years with interim valuations in the intervening years.

PUKKA PIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 27 MAY 2006

Tangible fixed assets included at a valuation would have been included on a historical cost basis at:

	2006 £	2005 £
Cost	9,307,709	8,473,143
Depreciation	1,725,529	1,544,804
Net book value	<u>7,582,180</u>	<u>6,928,339</u>

Depreciation of freehold buildings has been calculated on the revalued amount where applicable; based on cost the charge would have been lower by £23,841 (2005 - £23,215).

11. <u>Fixed asset investments</u>	<u>Other unlisted investments</u> £	<u>Total</u> £
Cost		
At 29 May 2005 and At 27 May 2006	500,000	500,000
Net book values		
At 27 May 2006	500,000	500,000
At 28 May 2005	500,000	500,000

11.1. <u>Fixed asset investments</u>	2006 £	2005 £
Directors' valuation of unlisted investments	500,000	500,000

12. <u>Stocks</u>	2006 £	2005 £
Raw materials and consumables	563,290	512,901
Finished goods and goods for resale	876,753	726,256
	<u>1,440,043</u>	<u>1,239,157</u>

PUKKA PIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 27 MAY 2006

13. <u>Debtors</u>	2006	2005
	£	£
Trade debtors	1,479,435	1,410,185
Other debtors	88,722	176,295
Prepayments and accrued income	146,450	158,500
	<u>1,714,607</u>	<u>1,744,980</u>
 14. <u>Creditors: amounts falling due within one year</u>	 2006	 2005
	£	£
Trade creditors	298,130	374,468
Corporation tax	582,228	652,425
Other taxes and social security costs	185,614	183,992
Other creditors	736	642
Accruals and deferred income	139,000	169,924
Proposed dividend	4,000,000	4,000,000
	<u>5,205,708</u>	<u>5,381,451</u>
 15. <u>Provisions for liabilities</u>		
	Deferred taxation (Note 16) £	Total £
At 29 May 2005	475,000	475,000
Movements in the year	(37,500)	(37,500)
At 27 May 2006	<u>437,500</u>	<u>437,500</u>

PUKKA PIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 27 MAY 2006

16. <u>Provision for deferred taxation</u>	2006	2005
	£	£
Accelerated capital allowances	437,500	475,000
	<hr/>	<hr/>
Provision at 29 May 2005	475,000	
Deferred tax credit in profit and loss account	(37,500)	
	<hr/>	
Provision at 27 May 2006	437,500	
	<hr/>	
 17. <u>Share capital</u>	 2006	 2005
	£	£
Authorised equity		
50,000 Ordinary shares of £1 each	50,000	50,000
	<hr/>	<hr/>
Allotted, called up and fully paid equity		
50,000 Ordinary shares of £1 each	50,000	50,000
	<hr/>	<hr/>
Equity Shares		
50,000 Ordinary shares of £1 each	50,000	50,000
	<hr/>	<hr/>
 18. <u>Equity Reserves</u>	 Revaluation	 Profit
	<u>reserve</u>	<u>and loss</u>
	£	£
At 28 May 2005		
as previously stated	3,534,412	23,209,927
Prior year adjustment	-	(481,000)
	<hr/>	<hr/>
At 29 May 2005 (restated)	3,534,412	22,728,927
Revaluation of property	1,807,250	-
Retained profit for the year	-	3,123,136
Actuarial gain in respect of defined benefit scheme	-	584,000
Deferred tax	-	31,000
Equity dividends	-	(4,000,000)
	<hr/>	<hr/>
At 27 May 2006	5,341,662	22,467,063
	<hr/>	<hr/>

PUKKA PIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 27 MAY 2006

19. <u>Reconciliation of movements in shareholders' funds</u>	2006	2005
	£	£
Profit for the year	3,123,136	3,621,728
Actuarial gain in respect of defined pension scheme	584,000	-
Dividends	(4,000,000)	(4,000,000)
Deferred taxation	31,000	-
	<u>(261,864)</u>	<u>(378,272)</u>
Other recognised gains or losses	1,807,250	-
Net addition to shareholders' funds	1,545,386	(378,272)
Opening shareholders' funds	26,794,339	27,172,611
Prior year adjustment	(481,000)	-
Closing shareholders' funds	<u>27,858,725</u>	<u>26,794,339</u>

20. Pensions and other post-retirement benefits

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company, being invested with various insurance companies.

Pension contributions are determined by a qualified actuary on the basis of biennial valuations using the projected unit method. The most recent full actuarial valuation was carried out at 6 April 2004. The main assumptions used by the actuary were:

	2006	2005	2004
	%	%	%
Rate of increase in salaries	4.2	4.7	4.9
Rate of increase in pensions in payment	3.2	2.7	2.9
Discount rate	5.1	5.1	5.8
Inflation assumption	<u>3.2</u>	<u>2.7</u>	<u>2.9</u>

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The fair value of the scheme assets and the expected rate of return, the present value of the scheme liabilities and the resulting deficit are:

	Long-term rate of return expected at <u>2006</u> %	Value at <u>2006</u> £	Long-term rate of return expected at <u>2005</u> %	Value at <u>2005</u> £	Long-term rate of return expected at <u>2004</u> %	Value at <u>2004</u> £
Insurance policies	5.1	10,101,000	5.1	9,922,000	5.8	7,970,000
Equities	7.6	1,400,000	7.6	637,000	-	-
Cash	4.5	196,000	4.5	206,000	4.5	527,000
Total market value of assets		11,697,000		10,765,000		8,497,000
Present value of scheme liabilities		(11,801,000)		(11,246,000)		(8,732,000)
Surplus/(deficit) in the scheme		(104,000)		(481,000)		(235,000)
Related deferred tax liability		31,000		144,000		70,000
Net pension liability		<u>(73,000)</u>		<u>(337,000)</u>		<u>(165,000)</u>

An analysis of the movements in the deficit during the year are shown below:

	2006 £	2005 £
Deficit brought forward	(481,000)	(235,000)
Total operating charge	(518,000)	(440,000)
Total finance income	(10,000)	(13,000)
Actuarial gain	584,000	(104,000)
Contributions	321,000	311,000
Deficit carried forward	<u>(104,000)</u>	<u>(481,000)</u>

a) the pension contribution in the year is currently 17% of pensionable earnings;

b) there will be an increase to 18% of pensionable earnings from October 2006 in order to eliminate the deficit in the scheme.

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Analysis of the amount charged to operating profit

	2006	2005
	£	£
Current service cost	518,000	440,000

Analysis of the amount charged to other finance income

	2006	2005
	£	£
Expected return on pension scheme assets	564,000	493,000
Interest on pension scheme liabilities	(574,000)	(506,000)
Total income	(10,000)	(13,000)

Analysis of amount recognised in Statement of total recognised gains and losses

	2006	2005
	£	£
Actual return less expected return on pension scheme assets	96,000	1,403,000
Experience gains/(losses) arising on the scheme liabilities	265,000	53,000
Gain/loss arising from changes in assumptions underlying the present value of the scheme liabilities	223,000	(1,560,000)
Actuarial gain	584,000	(104,000)

History of experience gains and losses

A history of experience gains and losses is shown below:

	2006	2005	2004	2003	2002
Difference between the expected and actual return on scheme assets:					
amount (£)	96,000	1,403,000	(1,400,000)	1,566,000	-
percentage of scheme assets	1%	13%	17%	-%	-%
Experience gains and losses on scheme liabilities:					
amount (£)	265,000	53,000	(126,000)	-	-
percentage of the present value of the scheme liabilities	2%	1%	1%	-%	-%
Total amount recognised in Statement of total recognised gains and losses:					
amount (£)	584,000	(104,000)	(641,000)	342,000	-
percentage of the present value of the scheme liabilities	5%	1%	7%	5%	-%

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NOTES TO THE FINANCIAL STATEMENTS
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21. Gross cash flows

	2006	2005
	£	£
Returns on investments and servicing of finance		
Interest received	594,866	678,208
	<u> </u>	<u> </u>
Taxation		
Corporation tax paid	(1,502,425)	(1,411,231)
	<u> </u>	<u> </u>
Capital expenditure		
Payments to acquire tangible assets	(1,411,059)	(731,511)
Receipts from sales of tangible assets	18,939	98,284
	<u> </u>	<u> </u>
	<u>(1,392,120)</u>	<u>(633,227)</u>

22. Analysis of changes in net funds

	Opening balance	Cash flows	Closing balance
	£	£	£
Cash at bank and in hand	14,354,874	(1,319,075)	13,035,799
	<u> </u>	<u> </u>	<u> </u>
Net funds	<u>14,354,874</u>	<u>(1,319,075)</u>	<u>13,035,799</u>