

Registration number 1008747

**PUKKA PIES LIMITED**  
**FINANCIAL STATEMENTS**  
**26 MAY 2007**

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**PUKKA PIES LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 26 MAY 2007**

The directors present their report and the financial statements for the year ended 26 May 2007

**Principal activity and review of the business**

The principal activity of the company is pie manufacturing

The company has had another satisfactory year. Turnover (the company's key financial indicator) is 3.25% higher than the previous year with the gross profit margin being maintained at previous years levels. The company has continued to build brand awareness and the directors expect the business to grow over the coming years.

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 an annual 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	26 May '07	28 May '06
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 £7,026 to charities.

**PUKKA PIES LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 26 MAY 2007**

**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 7 December 2007 and signed on its behalf by

T K Storer

Secretary



**PUKKA PIES LIMITED**  
**AUDITORS REPORT**  
**FOR THE YEAR ENDED 26 MAY 2007**

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

We have audited the financial statements of Pukka Pies Limited for the year ended 26 May 2007 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 26 MAY 2007**

**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 26 May 2007 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 26 May 2007



ROBERT WHOWELL & PARTNERS

CHARTERED ACCOUNTANTS  
REGISTERED AUDITORS

Westwood House  
78 Loughborough Road  
Quorn  
Leicestershire  
LE12 8DX

7 December 2007

**PUKKA PIES LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 26 MAY 2007**

		<b>Continuing operations</b>	
	<b>Notes</b>	<b>2007</b>	<b>2006</b>
		<b>£</b>	<b>£</b>
<b>Turnover</b>	<b>2</b>	25,826,428	25,012,429
Cost of sales		(13,201,464)	(13,058,270)
<b>Gross profit</b>		12,624,964	11,954,159
Administrative expenses		(7,409,828)	(8,057,548)
Other operating income		62,500	36,387
<b>Operating profit</b>	<b>3</b>	5,277,636	3,932,998
Other interest receivable and similar income	<b>5</b>	684,598	594,866
Amount written off investments	<b>4</b>	(450,000)	-
Interest payable and similar charges	<b>6</b>	-	(10,000)
<b>Profit on ordinary activities before taxation</b>		5,512,234	4,517,864
Tax on profit on ordinary activities	<b>9</b>	(1,811,792)	(1,394,728)
<b>Retained profit for the year</b>	<b>19</b>	3,700,442	3,123,136

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 26 MAY 2007**

	<b>Continuing operations</b>	
	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
<b><u>Statement of total recognised gains and losses</u></b>		
<b>Profit on ordinary activities after taxation</b>	3,700,442	3,123,136
Unrealised movement on revaluation of property	-	1,807,250
Actuarial gain in respect of defined benefit pension scheme	360,000	584,000
Deferred tax attributable to actuarial gain	(68,000)	31,000
<b>Total recognised gains relating to the year</b>	<b>3,992,442</b>	<b>5,545,386</b>
Prior year adjustment	-	(481,000)
<b>Total recognised gains since last annual report</b>	<b>3,992,442</b>	<b>5,064,386</b>
 <b><u>Note of historical cost profits and losses</u></b>		
<b>Profit on ordinary activities before taxation</b>	5,512,234	4,517,864
Difference between an historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	51,275	-
<b>Historical cost profit on ordinary activities before taxation</b>	<b>5,563,509</b>	<b>4,517,864</b>
<b>Historic cost profit for the year retained after taxation and dividends</b>	<b>(248,283)</b>	<b>(876,864)</b>

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

**PUKKA PIES LIMITED**


**BALANCE SHEET**  
**AS AT 26 MAY 2007**

		2007		2006	
	Notes	£	£	£	£
<b>Fixed assets</b>					
Tangible assets	11		16,315,915		16,884,484
Investments	12		50,000		500,000
			<u>16,365,915</u>		<u>17,384,484</u>
<b>Current assets</b>					
Stocks	13	1,590,313		1,440,043	
Debtors	14	2,690,418		1,714,607	
Cash at bank and in hand		13,210,641		13,035,799	
			<u>17,491,372</u>		<u>16,190,449</u>
<b>Creditors: amounts falling due within one year</b>	15	(5,683,120)		(5,205,708)	
<b>Net current assets</b>			<u>11,808,252</u>		<u>10,984,741</u>
<b>Total assets less current liabilities</b>			28,174,167		28,369,225
<b>Provisions for liabilities</b>	16		(410,000)		(437,500)
<b>Pension asset/liability</b>	21		87,000		(73,000)
<b>Net assets</b>			<u>27,851,167</u>		<u>27,858,725</u>
<b>Capital and reserves</b>					
Called up share capital	18		50,000		50,000
Revaluation reserve	19		5,290,387		5,341,662
Profit and loss account	19		22,510,780		22,467,063
<b>Equity shareholders' funds</b>	20		<u>27,851,167</u>		<u>27,858,725</u>

The financial statements were approved by the Board on 7 December 2007 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 26 MAY 2007**

	Notes	2007 £	2006 £
<b>Reconciliation of operating profit to net cash inflow from operating activities</b>			
Operating profit		5,277,636	3,932,998
Depreciation		1,037,581	1,126,665
(Increase) in stocks		(150,270)	(200,886)
(Increase)/decrease in debtors		(975,811)	30,373
Increase/(decrease) in creditors		70,348	(105,546)
Defined benefit pension scheme provision		160,000	197,000
<b>Net cash inflow from operating activities</b>		<b>5,419,484</b>	<b>4,980,604</b>
<b>Cash flow statement</b>			
Net cash inflow from operating activities		5,419,484	4,980,604
Returns on investments and servicing of finance	23	656,598	594,866
Taxation	23	(1,432,228)	(1,502,425)
Capital expenditure	23	(469,012)	(1,392,120)
		4,174,842	2,680,925
Equity dividends paid		(4,000,000)	(4,000,000)
<b>Increase in cash in the year</b>		<b>174,842</b>	<b>(1,319,075)</b>
<b>Reconciliation of net cash flow to movement in net debt (Note 24)</b>			
<b>Increase in cash in the year</b>		<b>174,842</b>	<b>(1,319,075)</b>
<b>Net debt at 28 May 2006</b>		<b>13,035,799</b>	<b>14,354,874</b>
<b>Net funds at 26 May 2007</b>		<b>13,210,641</b>	<b>13,035,799</b>

**PUKKA PIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 26 MAY 2007**

**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 Turnover**

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

**1.3 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

Freehold 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 freehold 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.

**1.4 Investments**

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

**1.5 Stock**

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

**PUKKA PIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 26 MAY 2007**

**1 6 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.

**1 7 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.

**PUKKA PIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 26 MAY 2007**

**2. Turnover**

	2007	2006
	£	£
<b>Geographical market</b>		
UK	25,496,864	24,678,652
Europe	329,564	333,777
	<u>25,826,428</u>	<u>25,012,429</u>

**3. Operating profit**

	2007	2006
	£	£
Operating profit is stated after charging		
Depreciation and other amounts written off tangible assets	1,030,638	1,113,476
Loss on disposal of tangible fixed assets	6,943	13,189
Auditors' remuneration	15,000	15,000
Auditors' remuneration from non-audit work	<u>33,944</u>	<u>23,078</u>

**4. Amounts written off investments**

	2007	2006
	£	£
Amounts written off fixed asset investments		
- permanent diminution in value	<u>450,000</u>	<u>-</u>

**5. Interest receivable and similar income**

	2007	2006
	£	£
Bank interest	650,969	594,866
Other interest	5,629	-
Net finance income in respect of defined benefit scheme	<u>28,000</u>	<u>-</u>
	<u>684,598</u>	<u>594,866</u>

**6. Interest payable and similar charges**

	2007	2006
	£	£
Net finance cost in respect of defined benefit pension scheme	<u>-</u>	<u>10,000</u>

**PUKKA PIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 26 MAY 2007**

**7. Employees**

<b>Number of employees</b>	<b>2007</b>	<b>2006</b>
The average monthly numbers of employees (including the directors) during the year were	<b>Number</b>	<b>Number</b>
Directors	4	4
Staff	246	258
	<u>250</u>	<u>262</u>
<b>Employment costs</b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Wages and salaries	6,067,504	6,088,071
Social security costs	555,702	552,825
Pension costs	527,976	571,608
	<u>7,151,182</u>	<u>7,212,504</u>
Net finance costs of defined benefit scheme	(28,000)	10,000
	<u>7,123,182</u>	<u>7,222,504</u>

**7.1. Directors' emoluments**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Remuneration and other emoluments	720,287	694,983
Pension contributions	28,432	27,520
	<u>748,719</u>	<u>722,503</u>
	<b>Number</b>	<b>Number</b>
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>
<b>Highest paid director</b>	<b>£</b>	<b>£</b>
Amounts included above		
Emoluments and other benefits	199,305	194,123
Pension contributions	14,216	13,760
	<u>213,521</u>	<u>207,883</u>

**PUKKA PIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 26 MAY 2007**

**8. 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 £54,059 (2006 - £53,784)

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.

**9. Tax on profit on ordinary activities**

Analysis of charge in period	2007 £	2006 £
<b>Current tax</b>		
UK corporation tax at 30% (2006 - 30%)	1,839,292	1,432,228
Total current tax charge	1,839,292	1,432,228
<b>Deferred tax</b>		
Timing differences, origination and reversal	(27,500)	(37,500)
Total deferred tax	(27,500)	(37,500)
Tax on profit on ordinary activities	1,811,792	1,394,728

**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:

	2007 £	2006 £
Profit on ordinary activities before taxation	5,512,234	4,517,864
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 - 30%)	1,653,670	1,355,359
<b>Effects of:</b>		
Expenses not deductible for tax purposes	174,600	62,100
Capital allowances for period in excess of depreciation	11,022	14,769
Current tax charge for period	1,839,292	1,432,228

**PUKKA PIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 26 MAY 2007**

**10. Dividends**

**Dividends paid and proposed on equity shares**

	2007	2006
	£	£
Proposed at the year-end (recognised as a liability)		
Equity dividends on Ordinary shares	4,000,000	4,000,000

**11. Tangible fixed assets**

	<b><u>Freehold land and buildings</u></b>	<b><u>Fixtures, land and fittings and equipment</u></b>	<b><u>Motor vehicles</u></b>	<b><u>Total</u></b>
	£	£	£	£
<b>Cost/revaluation</b>				
At 28 May 2006	12,900,000	13,691,564	2,038,235	28,629,799
Additions	-	400,490	100,585	501,075
Disposals	-	(90,200)	(91,525)	(181,725)
At 26 May 2007	12,900,000	14,001,854	2,047,295	28,949,149
<b>Depreciation</b>				
At 28 May 2006	-	10,426,071	1,319,244	11,745,315
On disposals	-	(79,660)	(63,059)	(142,719)
Charge for the year	232,000	600,860	197,778	1,030,638
At 26 May 2007	232,000	10,947,271	1,453,963	12,633,234
<b>Net book values</b>				
At 26 May 2007	12,668,000	3,054,583	593,332	16,315,915
At 27 May 2006	12,900,000	3,265,493	718,991	16,884,484

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 was 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 are carrying out regular valuations of the freehold property and are of the opinion that the current market value is not materially different from that stated above.

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 26 MAY 2007**

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

	2007 £	2006 £
Cost	9,307,709	9,307,709
Depreciation	1,906,254	1,725,529
Net book value	<u>7,401,455</u>	<u>7,582,180</u>

Depreciation of freehold buildings has been calculated on the revalued amount where applicable, based on cost the charge would have been lower by £51,275 (2006 - £23,841)

12. <b><u>Fixed asset investments</u></b>	<b><u>Other unlisted investments</u></b> £	<b><u>Total</u></b> £
<b>Cost</b>		
At 28 May 2006		
At 26 May 2007	500,000	500,000
<b>Provisions for diminution in value:</b>		
Movement	450,000	450,000
At 26 May 2007	450,000	450,000
<b>Net book values</b>		
At 26 May 2007	50,000	50,000
At 27 May 2006	<u>500,000</u>	<u>500,000</u>



**PUKKA PIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 26 MAY 2007**

12.1 Fixed asset investments	2007	2006
	£	£
Directors' valuation of unlisted investments	50,000	500,000

This investment represented 7.8% of Leicester City Football Club. Following a takeover of Leicester City Football Club by Milan Mandaric there was a formal offer in place for the buy back of the shares. As at the year end the offer stood at:

10p in the pound - Payable immediately,  
40p in the pound - Payable upon promotion to the Premier League,  
50p in the pound - Payable if they retain their Premier League status

The directors feel that the probability of full recovery of the value of the investment is small and have therefore reduced the carrying value to £50,000

13. <u>Stocks</u>	2007	2006
	£	£
Raw materials and consumables	712,751	563,290
Finished goods and goods for resale	877,562	876,753
	<u>1,590,313</u>	<u>1,440,043</u>

14. <u>Debtors</u>	2007	2006
	£	£
Trade debtors	1,767,830	1,479,435
Other debtors	772,518	88,722
Prepayments and accrued income	150,070	146,450
	<u>2,690,418</u>	<u>1,714,607</u>

**PUKKA PIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 26 MAY 2007**

<b>15. <u>Creditors: amounts falling due within one year</u></b>	<b>2007</b> <b>£</b>	<b>2006</b> <b>£</b>
Trade creditors	316,357	298,130
Corporation tax	989,292	582,228
Other taxes and social security costs	184,406	185,614
Other creditors	54,400	736
Accruals and deferred income	138,665	139,000
Proposed dividend	4,000,000	4,000,000
	<u>5,683,120</u>	<u>5,205,708</u>
 <b>16. <u>Provisions for liabilities</u></b>		
	<b>Deferred taxation (Note 17) £</b>	<b>Total £</b>
At 28 May 2006	437,500	437,500
Movements in the year	(27,500)	(27,500)
At 26 May 2007	<u>410,000</u>	<u>410,000</u>
 <b>17. <u>Provision for deferred taxation</u></b>	<b>2007</b> <b>£</b>	<b>2006</b> <b>£</b>
Accelerated capital allowances	<u>410,000</u>	<u>437,500</u>
 Provision at 28 May 2006	437,500	
Deferred tax credit in profit and loss account	(27,500)	
Provision at 26 May 2007	<u>410,000</u>	

**PUKKA PIES LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 26 MAY 2007**

<b>18. <u>Share capital</u></b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
<b>Authorised equity</b>		
50,000 Ordinary shares of £1 each	50,000	50,000
<b>Allotted, called up and fully paid equity</b>		
50,000 Ordinary shares of £1 each	50,000	50,000
<b>Equity Shares</b>		
50,000 Ordinary shares of £1 each	50,000	50,000
<b>19. <u>Equity Reserves</u></b>	<b>Revaluation reserve</b>	<b>Profit and loss account</b>
	<b>£</b>	<b>£</b>
		<b>Total</b>
		<b>£</b>
<b>At 28 May 2006</b>	5,341,662	22,467,063
Transfer of realised profit	(51,275)	51,275
Retained profit for the year	-	3,700,442
Actuarial gain in respect of defined benefit scheme	-	360,000
Deferred tax	-	68,000
Equity dividends	-	(4,000,000)
<b>At 26 May 2007</b>	<b>5,290,387</b>	<b>22,510,780</b>
<b>20. <u>Reconciliation of movements in shareholders' funds</u></b>	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Profit for the year	3,700,442	3,123,136
Actuarial gain in respect of defined pension scheme	360,000	584,000
Dividends	(4,000,000)	(4,000,000)
Deferred taxation	(68,000)	31,000
	(7,558)	(261,864)
Other recognised gains or losses	-	1,807,250
Net addition to shareholders' funds	(7,558)	1,545,386
Opening shareholders' funds	27,858,725	26,794,339
Prior year adjustment	-	(481,000)
Closing shareholders' funds	27,851,167	27,858,725

**PUKKA PIES LIMITED**

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**21. 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:

	2007	2006	2005
	%	%	%
Rate of increase in salaries	4.4	4.2	4.7
Rate of increase in pensions in payment	3.4	3.2	2.7
Discount rate	5.6	5.1	5.1
Inflation assumption	3.4	3.2	2.7

**21.1 The fair value of the scheme assets and the expected rate of return, the present value of the scheme liabilities and the resulting surplus/(deficit) are:**

	Long-term rate of return expected at <u>2007</u> %	Value at <u>2007</u> £	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> £
Equities	5.6	9,270,000	5.1	10,101,000	5.1	9,922,000
Bonds	7.3	1,759,000	7.6	1,400,000	7.6	637,000
Property	5.5	671,000	4.5	196,000	4.5	206,000
Total market value of assets		11,700,000		11,697,000		10,765,000
Present value of scheme liabilities		(11,576,000)		(11,801,000)		(11,246,000)
surplus/(deficit) in the scheme		124,000		(104,000)		(481,000)
Related deferred tax liability		(37,000)		31,000		144,000
Net pension asset/(liability)		87,000		(73,000)		(337,000)

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

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Deficit brought forward	(104,000)	(481,000)
Total operating charge	(472,000)	(518,000)
Total finance cost	28,000	(10,000)
Actuarial gain	360,000	584,000
Contributions	312,000	321,000
Surplus/(deficit) carried forward	<u>124,000</u>	<u>(104,000)</u>

The pension contribution in the year is currently 18% of pensionable earnings

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**Analysis of the amount charged to operating profit**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Current service cost	472,000	518,000

**Analysis of the amount charged to other finance income**

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Expected return on pension scheme assets	630,000	564,000
Interest on pension scheme liabilities	(602,000)	(574,000)
Total cost	28,000	(10,000)

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

	<b>2007</b>	<b>2006</b>
	<b>£</b>	<b>£</b>
Actual return less expected return on pension scheme assets	(979,000)	96,000
Experience gains arising on the scheme liabilities	226,000	265,000
Gains arising from changes in assumptions underlying the present value of the scheme liabilities	1,113,000	223,000
Actuarial gain	360,000	584,000

**History of experience gains and losses**

A history of experience gains and losses is shown below

	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Difference between the expected and actual return on scheme assets amount (£)	(979,000)	96,000	1,403,000	(1,400,000)	1,566,000
percentage of scheme assets	8%	1%	13%	17%	-%
Experience gains and losses on scheme liabilities amount (£)	226,000	265,000	53,000	(126,000)	-
percentage of the present value of the scheme liabilities	2%	2%	1%	1%	-%
Total amount recognised in Statement of total recognised gains and losses amount (£)	360,000	584,000	(104,000)	(641,000)	342,000
percentage of the present value of the scheme liabilities	3%	5%	1%	7%	5%

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**22. Capital commitments**

	2007	2006
	£	£

Details of capital commitments at the accounting date are as follows

Contracted for but not provided in the financial statements

	600,000	-
	<u>          </u>	<u>          </u>

The company is committed to purchasing equipment to the value of £1,100,000. A deposit of £500,000 has already been paid and is included in other debtors.

**23. Gross cash flows**

	2007	2006
	£	£

**Returns on investments and servicing of finance**

Interest received

	656,598	594,866
	<u>          </u>	<u>          </u>

**Taxation**

Corporation tax paid

	(1,432,228)	(1,502,425)
	<u>          </u>	<u>          </u>

**Capital expenditure**

Payments to acquire tangible assets

	(501,075)	(1,411,059)
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Receipts from sales of tangible assets

	32,063	18,939
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	(469,012)	(1,392,120)
	<u>          </u>	<u>          </u>

**24. Analysis of changes in net funds**

	<u>Opening balance</u>	<u>Cash flows</u>	<u>Closing balance</u>
	£	£	£

Cash at bank and in hand

	13,035,799	174,842	13,210,641
	<u>          </u>	<u>          </u>	<u>          </u>

Net funds

	13,035,799	174,842	13,210,641
	<u>          </u>	<u>          </u>	<u>          </u>