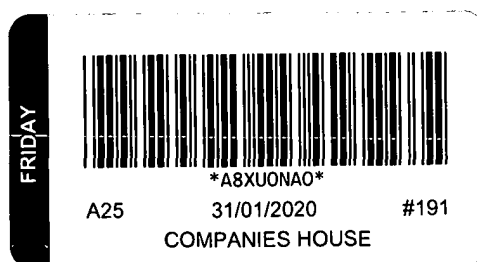


Pipers Crisps Limited
Financial Statements
For the period ended
1 February 2019



Pipers Crisps Limited

Financial Statements

Period ended 1 February 2019

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Pipers Crisps Limited

Officers and Professional Advisers

The board of directors

J K Averiss
V E Evans
A J Macleod
C E Stone

Registered office

Building 4
Chiswick Business Park
566 Chiswick High Road
London
W4 5YE

Auditor

KPMG LLP
Chartered Accountants & Statutory Auditor
2 Forbury Place
33 Forbury Road
Reading
RG1 3AD

Bankers

Barclays Bank PLC
81 High Street
Scunthorpe
North Lincolnshire
DN15 6LZ

Pipers Crisps Limited

Strategic Report

Period ended 1 February 2019

BUSINESS REVIEW

The principal activity of the company during the year was the manufacture and distribution of potato crisps.

We aim to present a balanced and comprehensive review of the development and performance of our business during the year and its position at the year end. Our review is consistent with the size and non-complex nature of our business and is written in the context of the risks and uncertainties we face.

We consider that our key financial performance indicators are those that communicate the financial performance and strength of the company as a whole, these being turnover and gross profit. In FY19 the company's turnover stood at just under £11.7 million with a gross profit of £7.0 million - an increase of 9.4% and 7% respectively on FY18 (as restated as per note 3 to the accounts).

On 1 February 2019, the total share capital of the company was acquired by PepsiCo Holdings.

We have continued our attempts to optimise efficiency during the year as a means of improving margins. During the year we have purchased additional automated packing capability to reduce costs as well as investing in improvements to flavour application to control waste and improve consistency of quality further. Pipers Crisps has continued with its geographical expansion and is now being sold in more than 42 countries worldwide. During the year, we launched a new flavour of Jalapeno & Dill crisps as well as a range of better for you snacks, Crispeas. Strategic purchasing of key commodities (oil & potatoes) as well as working with key suppliers to secure some benefits of scale has helped us to offset any inflationary pressures. The process of managing wages and overheads remains a priority for the management team.

PRINCIPAL RISKS AND UNCERTAINTIES

As for many businesses of our size, the business environment in which we operate continues to be challenging. Competition in premium crisps remains significant, with costs of entry low and channels that are relatively easy to access. Pipers offsets these with a strong marketing programme to build customer loyalty along with strategies to minimise our exposure to a few key customers. As with all trading businesses, the company is exposed to risks during the conduct of its normal business operations.

Financial risk management

The company's operations expose it to a variety of risks that include price risk, foreign currency risk, liquidity risk and interest rate risk.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board are implemented by the company's management.

Price risk

The company is exposed to commodity price risk as a result of its operations. However, given the size of the company's operations, the costs of managing exposure to commodity price risk exceed any potential benefits. The board will reconsider the appropriateness of this policy should the company's operations change in size or nature.

Pipers Crisps Limited

Strategic Report *(continued)*

Period ended 1 February 2019

Foreign currency risk

The company is exposed to foreign currency risk on purchases and sales which are denominated in a currency other than sterling. The company mitigates this risk by operating bank accounts in other currencies. The company continues to monitor exchange rates in line with the implemented policy.

Credit risk

The company has implemented policies that require appropriate credit checks on potential customers before sales are made.

Liquidity risk

The company actively maintains a mixture of long-term and short-term debt finance that is designed to ensure the company has sufficient available funds for operations and planned expansions.

Interest rate risk

The company has both interest bearing assets and interest bearing liabilities. The company's exposure to interest rate risk is regularly evaluated and action would be taken to mitigate any exposure as necessary.

With these risks and uncertainties in mind, we are aware that any plans for the future development of the business may be subject to unforeseen future events outside our control. However, current trading patterns (sales growth, gross margins, overhead control and debtor management) remain positive and on course to meet our objectives.

Brexit

The United Kingdom "(UK)" is currently scheduled to leave the European Union "(EU)" no later than 31 January 2020. Brexit will directly impact the company and detailed contingency plans have been put in place to attempt to mitigate potential disruption.

The principal risks, which could adversely affect demand for products, financial conditions and results of operations, are potential changes in laws, regulations and government policies including tariffs, taxes and movement of goods and people.

Robust contingency plans have been put in place across the business and the Directors' have taken all reasonable steps to mitigate the potential disruption.

Pipers Crisps Limited

Strategic Report *(continued)*

Period ended 1 February 2019

This report was approved by the board of directors on 30 January 2020 and signed on behalf of the board by:



C E Stone
Director

Registered office:
Building 4
Chiswick Business Park
566 Chiswick High Road
London
W4 5YE

Pipers Crisps Limited

Directors' Report

Period ended 1 February 2019

The directors present their report and the financial statements of the company for the period ended 1 February 2019.

Directors

The directors who served the company during the period were as follows:

J K Averiss	(Appointed 1 February 2019)
V E Evans	(Appointed 1 February 2019)
A J Macleod	(Appointed 1 February 2019)
C E Stone	(Appointed 1 February 2019)
J A Albone	(Resigned 1 February 2019)
S D Herring	(Resigned 1 February 2019)
J T Sweeting	(Resigned 1 February 2019)
R J W Hemming	(Resigned 1 February 2019)
J P McKinney	(Resigned 1 February 2019)

Dividends

Particulars of recommended dividends are detailed in note 14 to the financial statements.

Future developments

The level of business and the period end financial position remain satisfactory for the company and the directors are confident to be able to develop the business further in the future.

Financial instruments

The company's principal financial instruments comprise bank balances, trade creditors, trade debtors and loans to the company. The main purpose of these instruments is to raise funds for the company's operations.

Due to the nature of the financial instruments used by the company there is no exposure to price risk. The company's approach to managing other risks applicable to the financial statements is shown below.

In respect of bank balances, the liquidity risk is managed by maintaining a balance between the continuity of funding and flexibility through the use of overdraft facilities at floating rates of interest.

In respect of loans these comprise loans from the directors as well as bank loans and loans from other third parties. The company manages the liquidity risk by ensuring there are sufficient funds to meet the payments. Interest is paid at a commercial rate on these loans with the exception of the directors loans which are interest free.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits.

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

Pipers Crisps Limited

Directors' Report *(continued)*

Period ended 1 February 2019

Research and development

During the year we also launched our new flavour of crisps, Jalapeno & Dill, building on the work undertaken with the University of Nottingham into flavour compounds and shelf life as well as sensory analysis. Work was performed in order to source and sample the flavour and obtain provenance details that were in keeping with our brand credentials.

In the middle of the year, we launched a range of pea based extruded snacks under the sub brand Crispeas into the 'better for you' category, targeting consumers at lunch times. Our research supported the Pipers brand stretch and facilitated entry into new routes to market in 'food to go', convenience and healthy food retailers.

Disclosure of information in the strategic report

The company has in accordance with section 414C(11) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 set out in the company's strategic report information required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

KPMG LLP were appointed as auditor of the company on 1 February 2019 and will be proposed for reappointment in accordance with Section 485 of the Companies Act 2006.

This report was approved by the board of directors on 30 January 2020 and signed on behalf of the board by:



C E Stone
Director

Registered office:
Building 4
Chiswick Business Park
566 Chiswick High Road
London
W4 5YE

Pipers Crisps Limited

Directors' Responsibilities Statement

Period ended 1 February 2019

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial period. Under that law they have elected to prepare the financial in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of Pipers Crisps Limited

Period ended 1 February 2019

Opinion

We have audited the financial statements of Pipers Crisps Limited ("the company") for the year ended 1 February 2019 which comprise the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and related notes, including the accounting policies in note 4.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 1 February 2019 and of its profit for the period then ended;
- have been properly prepared in accordance with UK accounting standards, FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the potential requirement for the impairment of financial and non-financial assets and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and its effects are subject to unprecedented levels of uncertainty of consequences, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Independent Auditor's Report to the Members of Pipers Crisps Limited *(continued)*

Period ended 1 February 2019

Going concern (continued)

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Independent Auditor's Report to the Members of Pipers Crisps Limited (continued)**Period ended 1 February 2019****Directors' responsibilities**

As explained more fully in their statement set out on page 7, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Jonathan Russell (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
2 Forbury Place
33 Forbury Road
Reading
RG1 3AD

Date:

31st January 2020

Pipers Crisps Limited
Statement of Comprehensive Income
Period ended 1 February 2019

	Note	2019 £	2018 (*restated) £
Turnover	5	11,631,344	10,635,885
Cost of sales		(4,643,706)	(4,101,735)
Gross profit		6,987,638	6,534,150
Administrative expenses		(7,058,858)	(6,093,131)
Other operating income	6	65,231	67,348
Operating (loss)/profit	7	(5,989)	508,367
Other interest receivable and similar income	11	230	2
Interest payable and similar expenses	12	(45,599)	(24,069)
(Loss)/profit before taxation		(51,358)	484,300
Tax on (loss)/profit	13	139,074	(112,115)
Profit for the financial period and total comprehensive income		87,716	372,185

All the activities of the company are from continuing operations.

* See note 3 for further details of the restated balance.

Pipers Crisps Limited

Statement of Financial Position

1 February 2019

		2019	2018
	Note	£	£
Fixed assets			
Intangible assets	15	160,126	199,475
Tangible assets	16	3,186,745	3,562,812
		<u>3,346,871</u>	<u>3,762,287</u>
Current assets			
Stocks	17	472,640	442,576
Debtors	18	1,682,923	1,677,483
Cash at bank and in hand		<u>622,898</u>	<u>145,079</u>
		2,778,461	2,265,138
Creditors: amounts falling due within one year	19	<u>(2,109,786)</u>	<u>(2,145,875)</u>
Net current assets		<u>668,675</u>	<u>119,263</u>
Total assets less current liabilities		<u>4,015,546</u>	<u>3,881,550</u>
Creditors: amounts falling due after more than one year	20	(1,155,592)	(1,419,245)
Provisions			
Taxation including deferred tax	22	<u>(263,077)</u>	<u>(298,684)</u>
Net assets		<u>2,596,877</u>	<u>2,163,621</u>
Capital and reserves			
Called up share capital	28	6	3
Profit and loss account	29	<u>2,596,871</u>	<u>2,163,618</u>
Shareholders funds		<u>2,596,877</u>	<u>2,163,621</u>

These financial statements were approved by the board of directors and authorised for issue on 30 January 2020 and are signed on behalf of the board by:

Clare Stone

C E Stone
Director

Company registration number: 04993423

The notes on pages 15 to 30 form part of these financial statements.

Pipers Crisps Limited
Statement of Changes in Equity
Period ended 1 February 2019

	Called up share capital £	Profit and loss account £	Total £
At 1 February 2017	3	1,836,433	1,836,436
Profit for the period	—	372,185	372,185
Total comprehensive income for the period	—	372,185	372,185
Dividends paid and payable	14	(45,000)	(45,000)
Total investments by and distributions to owners	—	(45,000)	(45,000)
At 31 January 2018	3	2,163,618	2,163,621
Profit for the period	—	87,716	87,716
Total comprehensive income for the period	—	87,716	87,716
Issue of shares	3	—	3
Equity-settled share-based payments	—	345,537	345,537
Total investments by and distributions to owners	3	345,537	345,540
At 1 February 2019	<u>6</u>	<u>2,596,871</u>	<u>2,596,877</u>

Pipers Crisps Limited

Statement of Cash Flows

Period ended 1 February 2019

	2019	2018
Note	£	£
Cash flows from operating activities		
Profit for the financial period	87,716	372,185
<i>Adjustments for:</i>		
Depreciation of tangible assets	596,667	572,171
Amortisation of intangible assets	50,713	38,240
Government grant income	(65,231)	(64,348)
Other interest receivable and similar income	(230)	(2)
Interest payable and similar expenses	45,599	24,069
Gains on disposal of tangible assets	(20,367)	(8,667)
Equity-settled share-based payments	345,537	–
Tax on (loss)/profit	(139,074)	112,115
Accrued expenses	70,041	104,460
<i>Changes in:</i>		
Stocks	(30,064)	78,838
Trade and other debtors	(5,440)	(350,608)
Trade and other creditors	56,154	155,051
Cash generated from operations	992,021	1,033,504
Interest paid	(45,599)	(24,069)
Interest received	230	2
Tax received/(paid)	22,334	(62,120)
Net cash from operating activities	<u>968,986</u>	<u>947,317</u>
Cash flows from investing activities		
Purchase of tangible assets	(220,774)	(906,874)
Proceeds from sale of tangible assets	20,541	10,481
Purchase of intangible assets	(11,364)	(97,578)
Net cash used in investing activities	<u>(211,597)</u>	<u>(993,971)</u>
Cash flows from financing activities		
Proceeds from issue of ordinary shares	3	–
Repayments of borrowings	(94,381)	(828,396)
Government grant income	65,231	64,348
Dividends paid	–	(45,000)
Proceeds from loans from related undertakings	410,160	1,450,828
Repayment of loans from related undertakings	(418,641)	(1,603,908)
Proceeds from finance lease liabilities	314,872	1,303,923
Payments of finance lease liabilities	(556,814)	(142,825)
Net cash (used in)/from financing activities	<u>(279,570)</u>	<u>198,970</u>
Net increase in cash and cash equivalents	477,819	152,316
Cash and cash equivalents at beginning of period	145,079	(7,237)
Cash and cash equivalents at end of period	<u>622,898</u>	<u>145,079</u>

The notes on pages 15 to 30 form part of these financial statements.

Pipers Crisps Limited

Notes to the Financial Statements

Period ended 1 February 2019

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is Building 4, Chiswick Business Park, 566 Chiswick High Road, London, W4 5YE.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

3. Prior period errors

In preparing the accounts for the period ended 1 February 2019, it was identified that, in the prior year, sales rebates had been incorrectly offset against cost of sales instead of turnover. After correction, turnover for the prior year reduced by £768,300 with cost of sales reducing by the same amount. The net effect of the adjustment on the profit for the year ended 31 January 2018 is £nil.

4. Accounting policies

(a) Basis of preparation

The financial statements have been prepared on the historical cost basis.

The financial statements are prepared in sterling, which is the functional currency of the entity.

(b) Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Intangible assets

The company establishes an estimate of the useful life of stamp duty on leases based on the term of the lease. The useful economic life of computer software is based on management's judgement and historical experience with similar assets.

Plant and equipment

The company's accounting policy for plant and equipment is set out below. Estimated useful economic lives of plant and equipment are based on management's judgement and historical experience with similar assets.

Pipers Crisps Limited

Notes to the Financial Statements *(continued)*

Period ended 1 February 2019

4. Accounting policies *(continued)*

(c) Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied and services rendered, stated net of discounts and of Value Added Tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have transferred to the buyer, usually on despatch of the goods, the amount of revenue can be measured reliably, it is probable that the associated economic benefits will flow to the entity, and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Revenue is reduced for rebates, the measurement of which is determined by contractual arrangements with customers. Sales rebates are recognised in the same period as the revenue is recorded.

(d) Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that 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 that are expected to apply to the reversal of the timing difference.

(e) Foreign currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

(f) Amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful life of that asset as follows:

Stamp Duty	- 10% straight line
Computer software	- 20% straight line

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Pipers Crisps Limited

Notes to the Financial Statements *(continued)*

Period ended 1 February 2019

4. Accounting policies *(continued)*

(g) Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses.

(h) Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Crisp Production Equipment	-	10% straight line
Fixtures & Fittings	-	20% straight line
Office Equipment	-	33% straight line

(i) Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date. For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that largely independent of the cash inflows from other assets or groups of assets.

(j) Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Work in progress and finished goods are valued on the basis of direct costs plus attributable labour based on normal level of activity. Provision is made for foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress or finished goods.

(k) Finance leases and hire purchase contracts

Assets held under finance leases are recognised in the statement of financial position as assets and liabilities at the lower of the fair value of the assets and the present value of the minimum lease payments, which is determined at the inception of the lease term. Any initial direct costs of the lease are added to the amount recognised as an asset.

Lease payments are apportioned between the finance charges and reduction of the outstanding lease liability using the effective interest method. Finance charges are allocated to each period so as to produce a constant rate of interest on the remaining balance of the liability.

Pipers Crisps Limited

Notes to the Financial Statements *(continued)*

Period ended 1 February 2019

4. Accounting policies *(continued)*

(l) Government grants

Government grants are recognised at the fair value of the asset received or receivable. Grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised using the accrual model.

Under the accrual model, government grants relating to revenue are recognised on a systematic basis over the periods in which the company recognises the related costs for which the grant is intended to compensate. Grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs are recognised in income in the period in which it becomes receivable.

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Where part of a grant relating to an asset is deferred, it is recognised as deferred income and not deducted from the carrying amount of the asset.

(m) Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Pipers Crisps Limited

Notes to the Financial Statements *(continued)*

Period ended 1 February 2019

4. Accounting policies *(continued)*

(n) Financial instruments

A financial asset or a financial liability is recognised only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Other financial instruments are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

(o) Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

(p) Share-based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Market vesting conditions are factored into the fair value of the options granted. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date.

The fair value of the share is measured using the Monte Carlo valuation model, taking into account the terms and conditions upon which the options were granted.

Pipers Crisps Limited

Notes to the Financial Statements (continued)

Period ended 1 February 2019

5. Turnover

Turnover arises from:

	2019	2018 (restated)
	£	£
Sale of goods	<u>11,631,344</u>	<u>10,635,885</u>

The turnover is attributable to the one principal activity of the company. An analysis of turnover by the geographical markets that substantially differ from each other is given below:

	2019	2018 (restated)
	£	£
United Kingdom	10,441,664	9,647,002
Europe	905,109	805,584
Rest of world	284,571	183,299
	<u>11,631,344</u>	<u>10,635,885</u>

Please refer to note 3 of the accounts for an understanding of the restated revenue balance.

6. Other operating income

	2019	2018
	£	£
Government grant income	65,231	64,348
Sale of sundry assets	–	3,000
	<u>65,231</u>	<u>67,348</u>

7. Operating profit

Operating profit or loss is stated after charging/crediting:

	2019	2018 (*restated)
	£	£
Amortisation of intangible assets	50,713	38,240
Depreciation of tangible assets	596,667	572,171
Gains on disposal of tangible assets	(20,367)	(5,667)
Cost of stocks recognised as an expense	4,643,706	4,101,735
Impairment of trade debtors	7,394	4,255
Equity-settled share-based payments expense	345,537	–
Foreign exchange differences	<u>(817)</u>	<u>33,058</u>

* See note 3 for further details of the restated balance.

Pipers Crisps Limited

Notes to the Financial Statements (continued)

Period ended 1 February 2019

8. Auditor's remuneration

	2019	2018
	£	£
Fees payable to KPMG LLP		
Fees payable for the audit of the financial statements	<u>35,000</u>	<u>—</u>
	2019	2018
	£	£
Fees payable to Townends Accountants LLP		
Fees payable for the audit of the financial statements	<u>—</u>	<u>3,100</u>
Fees payable to the company's auditor and its associates for other services:		
Other non-audit services	<u>—</u>	<u>11,096</u>

9. Staff costs

The average number of persons employed by the company during the period, including the directors, amounted to:

	2019 No.	2018 No.
Production staff	31	31
Administrative staff	48	43
Management staff	6	6
	<u>85</u>	<u>80</u>

The aggregate payroll costs incurred during the period, relating to the above, were:

	2019	2018
	£	£
Wages and salaries	3,425,018	2,436,841
Social security costs	180,919	187,131
Other pension costs	27,285	12,354
	<u>3,633,222</u>	<u>2,636,326</u>

10. Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services was:

	2019	2018
	£	£
Remuneration	<u>256,400</u>	<u>127,154</u>

Pipers Crisps Limited

Notes to the Financial Statements (continued)

Period ended 1 February 2019

10. Directors' remuneration (continued)

The number of directors who exercised share options and received shares under a long term incentive scheme during the period was as follows:

	2019	2018
	No.	No.
Directors who exercised share options	<u>1</u>	<u>–</u>

Remuneration of the highest paid director in respect of qualifying services:

	2019	2018
	£	£
Aggregate remuneration	135,502	124,154
Company contributions to defined contribution pension plans	<u>738</u>	<u>–</u>
	<u>136,240</u>	<u>124,154</u>

11. Other interest receivable and similar income

	2019	2018
	£	£
Interest on cash and cash equivalents	26	2
Interest receivable on corporation tax refunds	<u>204</u>	<u>–</u>
	<u>230</u>	<u>2</u>

12. Interest payable and similar expenses

	2019	2018
	£	£
Interest on obligations under finance leases and hire purchase contracts	44,461	20,830
Interest due to group undertakings	<u>1,138</u>	<u>3,239</u>
	<u>45,599</u>	<u>24,069</u>

13. Tax on (loss)/profit

Major components of tax (income)/expense

	2019	2018
	£	£
Current tax:		
UK current tax (income)/expense	(56,266)	81,133
Adjustments in respect of prior periods	<u>(47,201)</u>	<u>(80)</u>
Total current tax	<u>(103,467)</u>	<u>81,053</u>

Pipers Crisps Limited

Notes to the Financial Statements (continued)

Period ended 1 February 2019

13. Tax on (loss)/profit (continued)

	2019	2018
	£	£
Deferred tax:		
Origination and reversal of timing differences	<u>(35,607)</u>	<u>31,062</u>
Tax on (loss)/profit	<u>(139,074)</u>	<u>112,115</u>

Reconciliation of tax (income)/expense

The tax assessed on the (loss)/profit on ordinary activities for the period is lower than (2018: higher than) the standard rate of corporation tax in the UK of 19% (2018: 19.17%).

	2019	2018
	£	£
(Loss)/profit on ordinary activities before taxation	<u>(51,358)</u>	<u>484,300</u>
(Loss)/profit on ordinary activities by rate of tax	<u>(9,758)</u>	<u>92,840</u>
Adjustment to tax charge in respect of prior periods	<u>(47,201)</u>	<u>(80)</u>
Effect of expenses not deductible for tax purposes	<u>9,096</u>	<u>937</u>
Effect of capital allowances and depreciation	<u>(30,197)</u>	<u>18,418</u>
Effect of different UK tax rates on some earnings	<u>(484)</u>	<u>–</u>
Unused tax losses	<u>330,772</u>	<u>–</u>
Deductible upon exercise of qualifying share options	<u>(391,302)</u>	<u>–</u>
Tax on (loss)/profit	<u>(139,074)</u>	<u>112,115</u>

Company tax rates have reduced to 19% from 1 April 2017 and are set to reduce further to 17% from 1 April 2020, as provided by the Finance Act 2016.

As at 1 February 2019, the company had unused tax losses of £1,740,000.

14. Dividends

Dividends paid during the period (excluding those for which a liability existed at the end of the prior period):

	2019	2018
	£	£
Equity dividends on ordinary shares	<u>–</u>	<u>45,000</u>

Pipers Crisps Limited

Notes to the Financial Statements (continued)

Period ended 1 February 2019

15. Intangible assets

	Stamp Duty £	Computer software £	Total £
Cost			
At 1 February 2018	10,601	256,916	267,517
Additions	–	11,364	11,364
At 1 February 2019	10,601	268,280	278,881
Amortisation			
At 1 February 2018	1,944	66,098	68,042
Charge for the period	1,060	49,653	50,713
At 1 February 2019	3,004	115,751	118,755
Carrying amount			
At 1 February 2019	7,597	152,529	160,126
At 31 January 2018	8,657	190,818	199,475

Amortisation of intangible assets is included in administrative expenses.

16. Tangible assets

	Plant and machinery £	Fixtures and fittings £	Equipment £	Total £
Cost				
At 1 February 2018	5,087,959	105,370	552,570	5,745,899
Additions	220,302	–	472	220,774
Disposals	(96,430)	–	–	(96,430)
At 1 February 2019	5,211,831	105,370	553,042	5,870,243
Depreciation				
At 1 February 2018	1,735,666	22,716	424,705	2,183,087
Charge for the period	498,700	20,909	77,058	596,667
Disposals	(96,256)	–	–	(96,256)
At 1 February 2019	2,138,110	43,625	501,763	2,683,498
Carrying amount				
At 1 February 2019	3,073,721	61,745	51,279	3,186,745
At 31 January 2018	3,352,293	82,654	127,865	3,562,812

Pipers Crisps Limited

Notes to the Financial Statements (continued)

Period ended 1 February 2019

16. Tangible assets (continued)

Finance leases and hire purchase contracts

Included within the carrying value of tangible assets are the following amounts relating to assets held under finance leases or hire purchase agreements:

	Plant and machinery £
At 1 February 2019	<u>1,593,681</u>
At 31 January 2018	<u>1,498,742</u>

17. Stocks

	2019	2018
	£	£
Raw materials and consumables	318,007	299,334
Finished goods and goods for resale	<u>154,633</u>	<u>143,242</u>
	<u>472,640</u>	<u>442,576</u>

18. Debtors

	2019	2018
	£	£
Trade debtors	1,334,002	1,358,160
Corporation tax repayable	103,671	–
Other debtors	<u>245,250</u>	<u>319,323</u>
	<u>1,682,923</u>	<u>1,677,483</u>

19. Creditors: amounts falling due within one year

	2019	2018
	£	£
Bank loans and overdrafts	41,216	100,525
Trade creditors	883,509	624,787
Accruals and deferred income	488,488	418,512
Corporation tax	–	81,133
Social security and other taxes	208,677	211,017
Obligations under finance leases and hire purchase contracts	374,931	453,455
Directors loan accounts	–	135,000
Amounts owed to related undertakings	–	3,242
Other creditors	<u>112,965</u>	<u>118,204</u>
	<u>2,109,786</u>	<u>2,145,875</u>

The bank borrowings are secured by a fixed and floating charge on the assets of the company. Obligations under finance leases are secured on the associated asset.

Pipers Crisps Limited

Notes to the Financial Statements (continued)

Period ended 1 February 2019

20. Creditors: amounts falling due after more than one year

	2019	2018
	£	£
Bank loans and overdrafts	–	35,073
Accruals and deferred income	246,640	311,803
Obligations under finance leases and hire purchase contracts	908,952	1,072,369
	<u>1,155,592</u>	<u>1,419,245</u>

The bank borrowings are secured by a fixed and floating charge on the assets of the company. Obligations under finance leases are secured on the associated asset.

21. Finance leases and hire purchase contracts

The total future minimum lease payments under finance leases and hire purchase contracts are as follows:

	2019	2018
	£	£
Not later than 1 year	404,083	571,865
Later than 1 year and not later than 5 years	979,531	1,070,173
	<u>1,383,614</u>	<u>1,642,038</u>
Less: future finance charges	(99,731)	(116,214)
Present value of minimum lease payments	<u>1,283,883</u>	<u>1,525,824</u>

22. Provisions

	Deferred tax (note 23) £
At 1 February 2018	298,684
Charge against provision	(35,607)
At 1 February 2019	<u>263,077</u>

23. Deferred tax

The deferred tax included in the statement of financial position is as follows:

	2019	2018
	£	£
Included in provisions (note 22)	<u>263,077</u>	<u>298,684</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2019	2018
	£	£
Accelerated capital allowances	<u>263,077</u>	<u>298,684</u>

Pipers Crisps Limited

Notes to the Financial Statements *(continued)*

Period ended 1 February 2019

23. Deferred tax *(continued)*

The reversal of deferred tax liabilities in the year commencing 2 February 2019 is not expected to be material.

24. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £27,285 (2018: £12,354).

25. Share-based payments

During the year ended 31 January 2015 the company established a share option scheme for certain directors to acquire £0.01 B ordinary shares under the Enterprise Management Incentives legislation.

During the year ended 31 January 2018 the company established a share option scheme for certain directors to acquire £0.01 C ordinary shares under the Enterprise Management Incentives legislation.

During the year ended 31 January 2019 the company established a share option scheme for certain employees to acquire £0.01 D ordinary shares under the Enterprise Management Incentives legislation.

For all of the above schemes: -

- Options are exercisable at a price of £0.01 per option share.
- The exercise of options is also dependent on certain performance conditions being met - namely that there is a change in control and a minimum exit price is achieved.
- The options are settled in equity once exercised.
- If the options remain unexercised after a period of 5 years from the date of grant, the options expire. Options are forfeited in certain circumstances if the employee leaves the company before the options vest.

The total expense recognised in profit or loss for the period is as follows:

	2019	2018
	£	£
Equity-settled share-based payments	345,537	—

Pipers Crisps Limited

Notes to the Financial Statements (continued)

Period ended 1 February 2019

25. Share-based payments (continued)

The fair value of the share options has been calculated using the Monte Carlo valuation model which was deemed to be the most appropriate method as the share options all included a target price vesting condition.

On 1 February 2019 all of the above share options were exercised.

26. Government grants

The amounts recognised in the financial statements for government grants are as follows:

	2019	2018
	£	£
Recognised in creditors:		
Deferred government grants due within one year	65,165	65,230
Deferred government grants due after more than one year	246,640	311,803
	<u>311,805</u>	<u>377,033</u>
Recognised in other operating income:		
Government grants recognised directly in income	<u>65,231</u>	<u>64,348</u>

27. Financial instruments

The carrying amount for each category of financial instrument is as follows:

	2019	2018
	£	£
Financial assets that are debt instruments measured at amortised cost		
Financial assets that are debt instruments measured at amortised cost	<u>1,956,900</u>	<u>1,503,239</u>
Financial liabilities measured at amortised cost		
Financial liabilities measured at amortised cost	<u>2,734,842</u>	<u>2,895,937</u>

Financial assets measured at amortised costs comprise cash at bank and trade debtors.

Financial liabilities measured at amortised cost comprises of trade creditors, bank loans, hire purchase liabilities, accruals, directors loan accounts and amounts owed to related undertakings.

Pipers Crisps Limited

Notes to the Financial Statements (continued)

Period ended 1 February 2019

28. Called up share capital

Issued, called up and fully paid

	2019		2018	
	No.	£	No.	£
Ordinary shares of £1 each	3	3	3	3
B Ordinary shares of £0.01 each	100	1	—	—
C Ordinary shares of £0.01 each	100	1	—	—
D Ordinary shares of £0.01 each	50	1	—	—
	<u>253</u>	<u>6</u>	<u>3</u>	<u>3</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All shares rank equally with regard to the company's residual assets.

On 1 February 2019, options were exercised for 100 B Ordinary £0.01 shares, 100 C Ordinary £0.01 shares and 50 D Ordinary £0.01 shares, at par value.

29. Reserves

Profit and loss account

This reserve records retained earnings and accumulated losses.

30. Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2019	2018
	£	£
Not later than 1 year	243,404	243,404
Later than 1 year and not later than 5 years	973,616	973,616
Later than 5 years	—	243,404
	<u>1,217,020</u>	<u>1,460,424</u>

Pipers Crisps Limited

Notes to the Detailed Income Statement (unaudited) (continued)

Period ended 1 February 2019

2019	2018 (restated)
£	£

31. Related party transactions

During the year dividends totalling £nil (2018 : £45,000) were paid to directors who are also shareholders.

During the year the directors made available loans to the company. At 31 January 2019, the total balance outstanding on the loans was £nil (2018 : £135,000). No interest was charged on the loans in the period and the balance is repayable on demand.

During the year a company in which certain directors are also directors incurred various expenses on behalf of Pipers Crisps Limited. All expenses were attributed to Pipers Crisps Limited. The company also made charges to Pipers Crisps Limited in connection with the provision of management services in the sum of £nil (2018 : £25,000). At the balance sheet date there was a balance of £nil (2018 : £118,204) owing to the company. Interest is charged at a commercial rate and the balance is repayable on demand.

During the year a company in which certain directors are also directors and shareholders charged Pipers Crisps Limited for rent totalling £243,404 (2018 : £243,404). An amount of £112,965 (2018 : £3,242) was owed at the year end date. No interest was charged on the loan in the period and the balance is repayable on demand.

Marketing services totalling £6,667 (2018 : 80,004) were provided during the year by a company in which a director is also a director and shareholder.

Key management personnel include all persons that have authority and responsibility for planning, directing and controlling the activities of the company. The total compensation paid to key management personnel for services provided to the company was £555,972 (2018: £223,172).

32. Controlling party

On 1 February 2019 PepsiCo Holdings acquired the entire share capital of the company. The ultimate parent undertaking is PepsiCo, Inc which is registered and incorporated in the United States of America.