

COMPANY REGISTRATION NUMBER: 04993423

Pipers Crisps Limited
Financial Statements
For the 11 month period ended
31 December 2019



Pipers Crisps Limited

Financial Statements

Period from 2 February 2019 to 31 December 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 from 2 February 2019 to 31 December 2019

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW

Turnover decreased by 1.15% to £11,498,730 (1 February 19: £11,631,344) in the period, however the accounting period ended 31 December 2019 represents an 11 month period whereas the period ended 1 February 2019 was a 12 month period. Average turnover per month increased from around £969,000 in the period ended 1 February 2019 to £1,045,000 in the period ended 31 December 2019, principally driven by increased volume growth from a stronger customer base after the company's acquisition by PepsiCo on 1 February 2019. Operating profit increased to £60,609 (1 February 19: restated loss of £1,691,432) due primarily to the non-recurrence of acquisition related costs incurred in the prior year.

The financial position of the company at the period end remains similar to the prior period, with key changes being movements between categories of working capital such as stocks, debtors and creditors.

The business monitors progress and performance against a number of Key Performance Indicators, those that communicate the financial performance and strength of the company as a whole, being turnover and gross profit.

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.

Credit risk

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

Pipers Crisps Limited

Strategic Report (continued)

Period from 2 February 2019 to 31 December 2019

Interest rate risk

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.

Covid-19

We are closely monitoring the potential impact of COVID-19 on our 2020 financial results and cashflows. Our top priority remains the health and safety of our employees, contractors and visitors, and ensuring continuity of supply by maintaining production and service to our customers.

Based on information provided by the Government, the HSE, the WHO and also information available publicly, we are taking a number of measures to reduce any potential impact on our operations to ensure business continuity through this period. This involves taking precautions across our supply chain, and continuing to work closely with authorities across our businesses to ensure the continued safety of our products and manufacturing locations.

Crisis management teams are in place to review and ensure we are following global standards to keep our business running and our employees safe, including protocols for dealing with potential exposure to COVID-19, and we're continuously re-evaluating and refining our ways of working to best serve the communities we operate in during this challenging time. As the scientific and medical guidance continues to evolve, we will continue to adjust our approach and response to ensure the health and safety of our products and employees.

As a result of measures implemented we currently do not expect any significant financial impacts on the business which would significantly impact on the amounts presented in these financial statements.

Brexit

The United Kingdom "(UK)" left the European Union "(EU)" on 31 January 2020, with a transition period effective until 31 December 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.

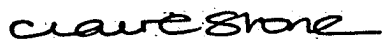
Robust contingency plans have been put in place across the business and the Directors' have taken all reasonable steps to mitigate the potential disruption.

Pipers Crisps Limited

Strategic Report *(continued)*

Period from 2 February 2019 to 31 December 2019

This report was approved by the board of directors on 14 January 2021 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 from 2 February 2019 to 31 December 2019

The directors present their report and the financial statements of the company for the period ended 31 December 2019.

Directors

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

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

Dividends

The directors do not recommend the payment of a dividend.

Employee communication and policy

The company follows an employment policy of non-discrimination on the grounds of gender, race or age and gives full and fair consideration to the employment of disabled persons.

The company promotes a positive attitude by ensuring that recruitment staff are fully conversant with the statutory provisions on discrimination and by giving full and fair consideration to applications for employment by disabled people, having regard to their particular aptitudes and abilities. Wherever possible, arrangements are made to retain and assist employees who become disabled during service. Furthermore, disabled employees have equal opportunities than other employees in relation to training, career progression and promotion.

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.

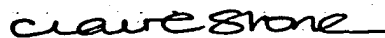
Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Pipers Crisps Limited

Directors' Report *(continued)*

Period from 2 February 2019 to 31 December 2019

This report was approved by the board of directors on 14 January 2021 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 from 2 February 2019 to 31 December 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

11 month period ended 31 December 2019

Opinion

We have audited the financial statements of Pipers Crisps Limited ("the company") for the 11 month period ended 31 December 2019 which comprise the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity 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 31 December 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.

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").

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.

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

Period from 2 February 2019 to 31 December 2019

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.

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.

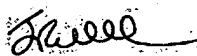
Independent Auditor's Report to the Members of Pipers Crisps Limited

Period from 2 February 2019 to 31 December 2019

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

19 January 2021

Pipers Crisps Limited

Statement of Comprehensive Income

Period from 2 February 2019 to 31 December 2019

		Period from 2 Feb 19 to 31 Dec 19	Year to 1 Feb 19 (restated)
	Note	£	£
Turnover	5	11,498,730	11,631,344
Cost of sales		<u>(4,698,034)</u>	<u>(4,643,706)</u>
Gross profit		6,800,696	6,987,638
Administrative expenses		<u>(6,799,820)</u>	<u>(8,744,301)</u>
Other operating income	6	59,733	65,231
Operating profit/(loss)	7	60,609	(1,691,432)
Other interest receivable and similar income	11	57	230
Interest payable and similar expenses	12	<u>(19,008)</u>	<u>(45,599)</u>
Profit/(loss) before taxation		41,658	(1,736,801)
Tax on profit/(loss)	13	<u>-</u>	<u>402,151</u>
Profit/(loss) for the financial period and total comprehensive income		<u>41,658</u>	<u>(1,334,650)</u>

All the activities of the company are from continuing operations.

Pipers Crisps Limited

Statement of Financial Position

31 December 2019

		31 Dec 19		1 Feb 19 (restated)	
	Note	£	£	£	£
Fixed assets					
Intangible assets	14		121,760		160,126
Tangible assets	15		3,273,449		3,186,745
			<u>3,395,209</u>		<u>3,346,871</u>
Current assets					
Stocks	16	590,063		472,640	
Debtors	17	2,199,887		1,741,495	
Cash at bank and in hand		<u>640,615</u>		<u>622,898</u>	
		<u>3,430,565</u>		<u>2,837,033</u>	
Creditors: amounts falling due within one year	18	<u>(4,837,554)</u>		<u>(3,853,801)</u>	
Net current liabilities			<u>(1,406,989)</u>		<u>(1,016,768)</u>
Total assets less current liabilities			<u>1,988,220</u>		<u>2,330,103</u>
Creditors: amounts falling due after more than one year	19		<u>(772,051)</u>		<u>(1,155,592)</u>
Net assets			<u>1,216,169</u>		<u>1,174,511</u>
Capital and reserves					
Called up share capital	26		6		6
Profit and loss account	27		<u>1,216,163</u>		<u>1,174,505</u>
Shareholders funds			<u>1,216,169</u>		<u>1,174,511</u>

These financial statements were approved by the board of directors and authorised for issue on 14 January 2021, and are signed on behalf of the board by:

C E Stone

C E Stone
Director

Company registration number: 04993423

The notes on pages 14 to 31 form part of these financial statements.

Pipers Crisps Limited

Statement of Changes in Equity

Period from 2 February 2019 to 31 December 2019

	Called up share capital £	Profit and loss account £	Total £
At 1 February 2018	3	2,163,618	2,163,621
Loss for the period (restated)		(1,334,650)	(1,334,650)
Total comprehensive income for the period (restated)	–	(1,334,650)	(1,334,650)
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 (restated)	6	1,174,505	1,174,511
Profit for the period		41,658	41,658
Total comprehensive income for the period	–	41,658	41,658
At 31 December 2019	<u>6</u>	<u>1,216,163</u>	<u>1,216,169</u>

The notes on pages 14 to 31 form part of these financial statements.

Pipers Crisps Limited

Notes to the Financial Statements

Period from 2 February 2019 to 31 December 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 restatement

When preparing the accounts for the period ended 31 December 2019, professional and consultancy costs in the sum of £1,685,443 (net of VAT) were identified that related to the accounting period ended 1 February 2019. These costs, which are costs of this Company, had been settled by the Company's new parent entity on the Company's behalf in the period ended 1 February 2019, however the related obligation to the Parent company was omitted from the company's accounts for that period. This adjustment had no effect on the tax liability for that period. The company also identified that a deferred tax asset should have been recognised with respect to the tax losses being carried forward to the extent that a deferred tax liability existed on accelerated capital allowances.

The following table summarises the impact on the company's financial statements.

As at 1 February 2019

	As previously reported £	Adjustments £	As restated £
<u>Statement of Comprehensive Income</u>			
Administrative expenses	(7,058,858)	(1,685,443)	(8,744,301)
Operating loss	(5,989)	(1,685,443)	(1,691,432)
Loss before tax	(51,358)	(1,685,443)	(1,736,801)
Tax on profit / (loss)	139,074	263,077	402,151
Profit / (loss) after tax	87,716	(1,422,366)	(1,334,650)
<u>Statement of Financial Position</u>			
Trade creditors	(883,509)	(20,000)	(903,509)
Amounts owed to group undertakings	-	(1,854,534)	(1,854,534)
VAT (payable)/receivable	(130,519)	189,091	58,572
Net current (liabilities)/assets	668,675	(1,685,443)	(1,016,768)
Taxation including deferred tax	(263,077)	263,077	-
Net assets	2,596,877	(1,422,366)	1,174,511
Retained profit and loss	2,596,871	(1,422,366)	1,174,505

Pipers Crisps Limited

Notes to the Financial Statements *(continued)*

Period from 2 February 2019 to 31 December 2019

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) Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Business Review in the Strategic Report. The financial position of the company, its cash flows, liquidity position and borrowing facilities are directly related to the consolidated position of PepsiCo, Inc. As such, details of this Group wide position are described in the consolidated financial statements of PepsiCo, Inc., available to the public from the address in note 30.

In addition, the notes to the consolidated financial statements of PepsiCo, Inc. include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Directors have assessed the impact of the ongoing COVID-19 situation on the company's business. Whilst the company has seen a reduction in demand in the 'away from home' sector during the year, particularly during the nationwide lockdown, there are not deemed to be any significant impacts of these subsequent events on the company's liquidity, the valuation of its assets, the completeness of its liabilities and its ability to continue as a going concern until at least a year from the issuance of the financial statements for the period ended December 31, 2019. During the second UK lockdown in November 2020, the company was able to continue to operate although there was still a knock on impact on demand in the away-from-home sector.

The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, taking account of plausible downsides on the operations and its financial resources, the Company will have sufficient funds through funding from its fellow subsidiary company, Walkers Snacks Limited and to meet its liabilities as they fall due for that period.

In preparing the forecasts the Directors have considered the following:

- cashflows including plausible downside scenarios resulting from the impact of COVID-19, including significant reductions in demand in the 'away from home' sales channel through 2021 due to the risk of closures in the pubs/clubs sector. If the 'away from home' demand were to be commensurate with the same level as the March/April 2020 lockdown throughout 2021 the company will continue to operate within its facilities.

Pipers Crisps Limited

Notes to the Financial Statements *(continued)*

Period from 2 February 2019 to 31 December 2019

4. Accounting policies *(continued)*

- the securing of an intercompany funding facility of £2,500,000 during 2020 with a fellow subsidiary company, of which £600,000 is drawn down at the point of signing these financial statements, and which does not expire during the forecast period.

Those forecasts are dependent on PepsiCo Inc. controlled companies not seeking repayment of the amounts currently due to the group, which at 31 December 2019 amounted to £1,999,623, and maintaining levels of support currently provided. PepsiCo Inc. has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

(c) Disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the financial statements of PepsiCo, Inc which can be obtained from the registered office - see note 30. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) No cash flow statement has been presented for the company.
- (b) No disclosure has been given for the aggregate remuneration of key management personnel.

(d) 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:

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 from 2 February 2019 to 31 December 2019

4. Accounting policies *(continued)*

(e) 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.

(f) 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.

(g) 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.

(h) 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 from 2 February 2019 to 31 December 2019

4. Accounting policies *(continued)*

(i) Tangible assets

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

(j) 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

(k) 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.

(l) 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.

(m) 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 from 2 February 2019 to 31 December 2019

4. Accounting policies *(continued)*

(n) 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.

(o) 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.

(p) 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.

Pipers Crisps Limited

Notes to the Financial Statements *(continued)*

Period from 2 February 2019 to 31 December 2019

4. Accounting policies *(continued)*

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.

(q) 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.

(r) 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.

5. Turnover

Turnover arises from:

	Period from 2 Feb 19 to 31 Dec 19	Year to 1 Feb 19
	£	£
Sale of goods	<u>11,498,730</u>	<u>11,631,344</u>

Pipers Crisps Limited

Notes to the Financial Statements (continued)

Period from 2 February 2019 to 31 December 2019

5. Turnover (continued)

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:

	Period from 2 Feb 19 to 31 Dec 19	Year to 1 Feb 19
	£	£
United Kingdom	10,429,861	10,441,664
Europe	859,026	905,109
Rest of world	209,843	284,571
	<u>11,498,730</u>	<u>11,631,344</u>

6. Other operating income

	Period from 2 Feb 19 to 31 Dec 19	Year to 1 Feb 19
	£	£
Government grant income	<u>59,733</u>	<u>65,231</u>

7. Operating profit

Operating profit or loss is stated after charging/crediting:

	Period from 2 Feb 19 to 31 Dec 19	Year to 1 Feb 19
	£	£
Amortisation of intangible assets	38,366	50,713
Depreciation of tangible assets	528,150	596,667
Gains on disposal of tangible assets	-	(20,367)
Impairment of trade debtors	2,110	7,394
Equity-settled share-based payments expense	-	345,537
Foreign exchange differences	<u>(47)</u>	<u>(817)</u>

8. Auditor's remuneration

	Period from 2 Feb 19 to 31 Dec 19	Year to 1 Feb 19 (restated)
	£	£
Fees payable for the audit of the financial statements	<u>31,650</u>	<u>35,000</u>
Fees payable to the company's auditor and its associates for other services:		
Deal advisory costs	<u>-</u>	<u>181,712</u>

Pipers Crisps Limited

Notes to the Financial Statements (continued)

Period from 2 February 2019 to 31 December 2019

9. Staff costs

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

	31 Dec 19 No.	1 Feb 19 No.
Production staff	35	31
Administrative staff	59	48
Management staff	9	6
	<u>103</u>	<u>85</u>

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

	Period from 2 Feb 19 to 31 Dec 19	Year to 1 Feb 19
	£	£
Wages and salaries	3,213,798	3,425,018
Social security costs	271,988	180,919
Other pension costs	46,266	27,285
	<u>3,532,052</u>	<u>3,633,222</u>

10. Directors' remuneration

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

	Period from 2 Feb 19 to 31 Dec 19	Year to 1 Feb 19
	£	£
Remuneration	<u>-</u>	<u>256,400</u>

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

	31 Dec 19 No.	1 Feb 19 No.
Directors who exercised share options	<u>-</u>	<u>1</u>

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

	Period from 2 Feb 19 to 31 Dec 19	Year to 1 Feb 19
	£	£
Aggregate remuneration	-	135,502
Company contributions to defined contribution pension plans	-	738
	<u>-</u>	<u>136,240</u>

Pipers Crisps Limited

Notes to the Financial Statements (continued)

Period from 2 February 2019 to 31 December 2019

11. Other interest receivable and similar income

	Period from 2 Feb 19 to 31 Dec 19	Year to 1 Feb 19
	£	£
Interest on cash and cash equivalents	57	26
Interest receivable on corporation tax refunds	—	204
	<u>57</u>	<u>230</u>

12. Interest payable and similar expenses

	Period from 2 Feb 19 to 31 Dec 19	Year to 1 Feb 19
	£	£
Interest on obligations under finance leases and hire purchase contracts	19,008	44,461
Interest due to group undertakings	—	1,138
	<u>19,008</u>	<u>45,599</u>

13. Tax on profit/(loss)

Major components of tax income

	Period from 2 Feb 19 to 31 Dec 19	Year to 1 Feb 19 (restated)
	£	£
Current tax:		
UK current tax income	—	(56,266)
Adjustments in respect of prior periods	—	(47,201)
Total current tax	<u>—</u>	<u>(103,467)</u>
Deferred tax:		
Origination and reversal of timing differences	—	(298,684)
Tax on profit/(loss)	<u>—</u>	<u>(402,151)</u>

Pipers Crisps Limited

Notes to the Financial Statements (continued)

Period from 2 February 2019 to 31 December 2019

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

Reconciliation of tax income

The tax assessed on the profit/(loss) on ordinary activities for the period is lower than (2019: higher than) the standard rate of corporation tax in the UK of 19% (2019: 19%).

	Period from 2 Feb 19 to 31 Dec 19	Year to 1 Feb 19 (restated)
	£	£
Profit/(loss) on ordinary activities before taxation	41,658	(1,736,801)
Profit/(loss) on ordinary activities by rate of tax	7,915	(329,992)
Overprovision in respect of prior periods	–	(47,201)
Effect of expenses not deductible for tax purposes	12,815	262,533
Effect of different UK tax rates on some earnings	(999)	(484)
Utilisation of tax losses brought forward	(40,461)	–
Losses for which no deferred tax asset was recognised	20,730	104,295
Deductible upon exercise of qualifying share options	–	(391,302)
Tax on profit/(loss)	–	(402,151)

As at 31 December 2019 the company had unused tax losses, for which no deferred tax asset was recognised, of £440,000 (1 February 2019 - £549,000).

14. Intangible assets

	Stamp Duty £	Computer software £	Total £
Cost			
At 2 February 2019 and 31 December 2019	10,601	268,280	278,881
Amortisation			
At 2 February 2019	3,004	115,751	118,755
Charge for the period	972	37,394	38,366
At 31 December 2019	3,976	153,145	157,121
Carrying amount			
At 31 December 2019	6,625	115,135	121,760
At 1 February 2019	7,597	152,529	160,126

Amortisation of intangible assets is included in administrative expenses.

Pipers Crisps Limited

Notes to the Financial Statements (continued)

Period from 2 February 2019 to 31 December 2019

15. Tangible assets

	Plant and machinery £	Fixtures and fittings £	Equipment £	Total £
Cost				
At 2 February 2019	5,211,831	105,370	553,042	5,870,243
Additions	502,910	62,361	49,583	614,854
At 31 December 2019	5,714,741	167,731	602,625	6,485,097
Depreciation				
At 2 February 2019	2,138,110	43,625	501,763	2,683,498
Charge for the period	461,008	22,192	44,950	528,150
At 31 December 2019	2,599,118	65,817	546,713	3,211,648
Carrying amount				
At 31 December 2019	3,115,623	101,914	55,912	3,273,449
At 1 February 2019	3,073,721	61,745	51,279	3,186,745

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 31 December 2019	1,400,297
At 1 February 2019	1,593,681

16. Stocks

	31 Dec 19 £	1 Feb 19 £
Raw materials and consumables	327,974	318,007
Finished goods and goods for resale	262,089	154,633
	590,063	472,640

17. Debtors

	31 Dec 19 £	1 Feb 19 (restated) £
Trade debtors	1,863,586	1,334,002
Corporation tax repayable	56,265	103,671
Other debtors	280,036	303,822
	2,199,887	1,741,495

Pipers Crisps Limited

Notes to the Financial Statements (continued)

Period from 2 February 2019 to 31 December 2019

18. Creditors: amounts falling due within one year

	31 Dec 19	1 Feb 19 (restated)
	£	£
Bank loans and overdrafts	–	41,216
Trade creditors	994,726	903,509
Amounts owed to group undertakings	1,999,623	1,854,534
Accruals and deferred income	1,141,914	488,488
Social security and other taxes	339,290	78,158
Obligations under finance leases and hire purchase contracts	362,001	374,931
Other creditors	–	112,965
	<u>4,837,554</u>	<u>3,853,801</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.

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

	31 Dec 19	1 Feb 19
	£	£
Accruals and deferred income	193,856	246,640
Obligations under finance leases and hire purchase contracts	578,195	908,952
	<u>772,051</u>	<u>1,155,592</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.

20. Finance leases and hire purchase contracts

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

	31 Dec 19	1 Feb 19
	£	£
Not later than 1 year	389,997	404,083
Later than 1 year and not later than 5 years	628,571	979,531
	<u>1,018,568</u>	<u>1,383,614</u>
Less: future finance charges	(78,372)	(99,731)
Present value of minimum lease payments	<u>940,196</u>	<u>1,283,883</u>

Pipers Crisps Limited

Notes to the Financial Statements *(continued)*

Period from 2 February 2019 to 31 December 2019

21. Deferred tax

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

	31 Dec 19	1 Feb 19 <i>(restated)</i>
	£	£
Assets		
Unrelieved tax losses	243,346	263,077
Total assets	<u>243,346</u>	<u>263,077</u>
Liabilities		
Accelerated capital allowances	(243,346)	(263,077)
Total liabilities	<u>(243,346)</u>	<u>(263,077)</u>
Net deferred tax asset / (liability) recognised	<u>-</u>	<u>-</u>

The reversal of deferred tax liabilities in the year commencing 1 January 2020 is not expected to be material.

22. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £46,266 (2019: £27,285).

Pipers Crisps Limited

Notes to the Financial Statements (continued)

Period from 2 February 2019 to 31 December 2019

23. 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:

	31 Dec 19	1 Feb 19
	£	£
Equity-settled share-based payments	-	345,537

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.

Pipers Crisps Limited

Notes to the Financial Statements (continued)

Period from 2 February 2019 to 31 December 2019

24. Government grants

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

	31 Dec 19	1 Feb 19
	£	£
Recognised in creditors:		
Deferred government grants due within one year	58,214	65,165
Deferred government grants due after more than one year	193,856	246,640
	<u>252,070</u>	<u>311,805</u>
Recognised in other operating income:		
Government grants recognised directly in income	59,733	65,231
	<u>59,733</u>	<u>65,231</u>

25. Financial instruments

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

	31 Dec 19	1 Feb 19 (restated)
	£	£
Financial assets that are debt instruments measured at amortised cost		
Financial assets that are debt instruments measured at amortised cost	2,504,201	1,956,900
	<u>2,504,201</u>	<u>1,956,900</u>
Financial liabilities measured at amortised cost		
Financial liabilities measured at amortised cost	5,018,246	4,539,376
	<u>5,018,246</u>	<u>4,539,376</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 from 2 February 2019 to 31 December 2019

26. Called up share capital

Issued, called up and fully paid

	31 Dec 19		1 Feb 19	
	No.	£	No.	£
Ordinary shares of £1 each	3	3	3	3
B Ordinary shares of £0.01 each	100	1	100	1
C Ordinary shares of £0.01 each	100	1	100	1
D Ordinary shares of £0.01 each	50	1	50	1
	<u>253</u>	<u>6</u>	<u>253</u>	<u>6</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.

27. Reserves

Profit and loss account

This reserve records retained earnings and accumulated losses.

28. Operating leases

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

	31 Dec 19	1 Feb 19
	£	£
Not later than 1 year	243,404	243,404
Later than 1 year and not later than 5 years	730,212	973,616
	<u>973,616</u>	<u>1,217,020</u>

29. Related party transactions

The company has taken advantage of the exemptions provided in FRS 102 from reporting transactions between wholly owned members of the group.

Pipers Crisps Limited

Notes to the Financial Statements *(continued)*

Period from 2 February 2019 to 31 December 2019

30. 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.

The largest group in which the results of the company are consolidated is that head by PepsiCo Inc, whose registered office is at 700 Anderson Hill Road, Purchase, New York 10577, United States of America.

The consolidated financial statements of this group are available to the public and may be obtained from their registered office as noted above.

No other group financial statements include the results of the company.

31. Subsequent events

As noted in the Principal Risks and Uncertainties section of the Strategic Report, the Covid-19 pandemic is a significant event after the balance sheet date. Whilst this is a non-adjusting event, there are not deemed to be any significant impacts on the Company which would require disclosure in these financial statements.