COMPANY REGISTRATION NUMBER: 6343560

THIRD STATE PIZZA COMPANY LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED

26 DECEMBER 2021

THIRD STATE PIZZA COMPANY LIMITED

FINANCIAL STATEMENTS

PERIOD FROM 28 DECEMBER 2020 TO 26 DECEMBER 2021

Contents

Principal activities
The principal activity of the company during the period was the sale of pizzas including collection and delivery.

Results for the financial period
The audited financial statements for the period ended 26 December 2021 showed a profit of £4,143,774 (27 December 2020: £1,722,239). The statement of financial position shows net assets of £8,795,231 (2020: £4,651,457).

Business review and future developments
The turnover has remained high at £21,843,594 for the period ended 26 December 2021 (27 December 2020: £17,953,247).

The key financial highlights are as follows:

	Period ended 26 Dec 21 £	Period ended 27 Dec 20 £
Turnover	21,843,594	17,953,247
Gross profit margin	34.5%	30.6%
EBITDA	5,627,952	2,700,902

COVID-19
The continued uncertainty surrounding COVID-19 pandemic has remained a key focus for the director. Throughout this period, the business has carefully considered all of our stakeholders in our decision making, working closely with our Master Franchisor.

The business has continued to implement a range of operational actions in line with all UK Government guidelines to prioritise the safety and well-being of its staff and customers.

We will continue to be adaptable and agile, and the director is confident that we are well placed to react to any changing circumstances as required.

Principal risks and uncertainties

The business faces a wide range of risks. The principal risks and how they are mitigated or managed is set out below.

Economic Risk - The company is exposed to any slowdown in the UK economy, arising from level of employment, disposable income, interest rates and consumer confidence. The risk is mitigated by maintaining a wide customer base and a competitive offering in the market through management's close relationship with the franchise operator.

Regulatory risks - The company's operations require compliance with a wide range of regulations: such as health and safety and hygiene procedures. The company has implemented a rigorous regime of standards and safety checks (including food) to ensure each store is operating at the highest of standards.

Consumer taste - Any material change in the consumer taste of the pizza delivery industry could adversely affect the company. The company works alongside the franchise operator at assessing demographic trends, ensuring innovation and fresh products are available to customers.

Liquidity risks - In order to maintain liquidity to ensure sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long term and short term debt finance.

The company does not in general expose itself to fluctuations in changes in foreign currency exchange rates. Due to the nature of the business, there is little exposure to credit risk either, and therefore no specific policies are required in respect of trade receivables.

Employees

It is the company policy to recruit the most capable persons for the positions. Company practices and procedures, including those relating to pay, promotions, terminations and training, comply with relevant legislation without discrimination. The company does not tolerate harassment of employees.

This report was approved by the board of directors on 21-09-22 and signed on behalf of the board by:

M S Grewal
Director

Registered office:
12 North Bar
Banbury
OX16 0TB

The director presents his report and the financial statements of the company for the period ended 26 December 2021.

Director

The director who served the company during the period was as follows:

M S Grewal

Dividends

The director does not recommend the payment of a dividend (2020: £Nil).

Employment of disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of staff members become disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

Our committed teams are a key asset of our business. We recognise the importance of creating and maintaining a positive working environment. The director receives regular updates on matters related to its workforce including reports on health and safety and other matters on workforce engagement. We engage with our employees regularly and provide training and communications through a dedicated platform, regular team meetings and annual awards ceremonies.

Events after the end of the reporting period

Particulars of events after the reporting date are detailed in note 29 to the financial statements.

Qualifying indemnity provision

The company has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force during the financial period and as at the date of approving the director's report.

Disclosure of information in the strategic report

The company has chosen in accordance with Companies Act 2006, s.414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the director's report. It has done so in respect of future developments and financial risk management.

Statement of director's responsibilities in respect of the financial statements

The director is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial 52 week period. Under that law the director has prepared the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, the director 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 the profit or loss of the company for that period. In preparing these financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The director is responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The director is also 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 him to ensure that the financial statements comply with the Companies Act 2006.

Director's confirmations

In the case of each director in office at the date of the director's report is approved:

- so far as the director is aware, there is no relevant audit information of which the group and company's auditors are 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 group and company's auditors are aware of that information.

This report was approved by the board of directors on ..21-09-22.. and signed on behalf of the board by:

M S Grewal
Director

Registered office:
12 North Bar
Banbury
OX16 0TB

Independent auditors' report to the members of Third State Pizza Company Limited

Report on the audit of the financial statements

Opinion

In our opinion, Third State Pizza Company Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 26 December 2021 and of its profit for the period from 28 December 2020 to 26 December 2021;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 26 December 2021; the statement of comprehensive income and the statement of changes in equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The director is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Director's report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Director's report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Director's report for the period ended 26 December 2021 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Director's report.

Responsibilities for the financial statements and the audit

Responsibilities of the director for the financial statements

As explained more fully in the Statement of director's responsibilities in respect of the financial statements, the director is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The director is also 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.

In preparing the financial statements, the director is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to health and safety regulations and employment laws, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to artificially enhance financial performance and the manipulation of estimates. Audit procedures performed by the engagement team included:

- Having discussions with senior management including consideration of any known or suspected instances of non-compliance with laws and regulation or fraud;
- Obtaining an understanding of the entities policies and procedures on compliance with laws and regulations;
- Reviewing minutes of meetings of those charged with governance;
- Performing procedures to address the risk of management override of controls, including testing journal entries and other adjustments for appropriateness, in particular testing journals posted with unusual account combinations which credited revenue or expenses;
- Reviewing financial statement disclosures and testing these through to supporting documentation to assess compliance with applicable laws and regulations;
- Designing audit procedures to incorporate unpredictability around the nature, timing and extent of out testing;
- Assessing accounting estimates within the financial statements, and substantively testing those with a material risk to the financial statements.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Mark Foster (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Reading
21 September 2022

THIRD STATE PIZZA COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME

PERIOD FROM 28 DECEMBER 2020 TO 26 DECEMBER 2021

	Note	Period from 28 Dec 20 to 26 Dec 21 £	Period from 30 Dec 19 to 27 Dec 20 £
Turnover	4	21,843,594	17,953,247
Cost of sales		(14,306,123)	(12,457,969)
Gross profit		7,537,471	5,495,278
Administrative expenses		(3,185,615)	(3,576,199)
Other operating income	5	–	70,000
Operating profit	6	4,351,856	1,989,079
Income from shares in group undertakings	10	832,653	270,612
Other interest receivable and similar income	11	91,850	117,172
Amounts written off investments	12	(127,404)	–
Interest payable and similar expenses	13	(139,002)	(176,380)
Profit before taxation		5,009,953	2,200,483
Tax on profit	14	(866,179)	(428,244)
Profit for the financial period and total comprehensive income		4,143,774	1,772,239

All the activities of the company are from continuing operations.

The notes on pages 12 to 27 form part of these financial statements.

THIRD STATE PIZZA COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION

26 DECEMBER 2021

	Note	26 Dec 21		27 Dec 20	
		£	£	£	£
Fixed assets					
Intangible assets	15		436,018		65,812
Tangible assets	16		1,925,764		2,153,343
Investments	17		1,478,679		2,024,688
			3,840,461		4,243,843
Current assets					
Stocks	18	103,460		86,650	
Debtors	19	9,042,248		9,063,788	
Cash at bank and in hand		3,345,633		832,090	
		12,491,341		9,982,528	
Creditors: amounts falling due within one year	20	(4,666,348)		(5,101,386)	
Net current assets			7,824,993		4,881,142
Total assets less current liabilities			11,665,454		9,124,985
Creditors: amounts falling due after more than one year	21		(2,808,967)		(4,465,097)
Provisions for liabilities					
Taxation, including deferred taxation	22	(7,592)		(8,431)	
Other provisions	22	(53,664)		–	
			(61,256)		(8,431)
Net assets			8,795,231		4,651,457
Capital and reserves					
Called up share capital	26		100		100
Profit and loss account	27		8,795,131		4,651,357
Total shareholders' funds			8,795,231		4,651,457

These financial statements were approved by the board of directors and authorised for issue on 21-09-22, and are signed on behalf of the board by:

M S Grewal
Director

Company registration number: 6343560

The notes on pages 12 to 27 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

PERIOD FROM 28 DECEMBER 2020 TO 26 DECEMBER 2021

	Note	Called up share capital £	Profit and loss account £	Total shareholders' funds £
At 30 December 2019		100	2,879,118	2,879,218
Profit for the period		–	1,772,239	1,772,239
Total comprehensive income for the period		–	1,772,239	1,772,239
At 27 December 2020		100	4,651,357	4,651,457
Profit for the period		–	4,143,774	4,143,774
Total comprehensive income for the period		–	4,143,774	4,143,774
At 26 December 2021		100	8,795,131	8,795,231

The notes on pages 12 to 27 form part of these financial statements.

1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is 12 North Bar, Banbury, OX16 0TB.

2. Statement of compliance

The principal activity of the company during the period was the sale of pizzas including collection and delivery.

These financial statements have been prepared in accordance with the Companies Act 2006 and applicable accounting standards including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102').

3. Accounting policies

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.

Monetary amounts in these financial statements are rounded to the nearest pound.

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

Going concern

These financial statements have been prepared on a going concern basis which the director considers to be appropriate for the company.

After reviewing the company's forecasts and projections, the director is satisfied that the company has sufficient resources to continue in operational existence and will be able to meet its debts as they fall due for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

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 Bansols Beta Limited which can be obtained from Companies House, Crown Way, Cardiff CF14 3UZ. 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) Disclosures in respect of financial instruments have not been presented.
(c) No disclosure has been given for the aggregate remuneration of key management personnel.

Consolidation

The entity has taken advantage of the exemption from preparing consolidated financial statements contained in Section 400 of the Companies Act 2006 on the basis that it is a subsidiary undertaking and its immediate parent undertaking is established under the law of an EEA State.

3. Accounting policies *(continued)*

Judgements and key sources of estimation uncertainty

In applying the company's accounting policies, the director is required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The director's judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Critical judgements in applying the company's accounting policies

The critical judgements that the director has made in the progress of applying the company's accounting policies that have the most significant effect on the amounts recognised in the statutory financial statements are discussed below.

(i) Assessing indicators of impairment
In assessing whether there have been any indicators of impairment of assets, the director has considered both internal and external sources of information such as market conditions, counterparty credit ratings and experience recoverability. There have been no indicators of impairments identified during the current financial year.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key 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 discussed below.

(i) Estimating value in use
Where an indication of impairment exists, the director will carry out an impairment review to determine the recoverable amount, which is the higher of fair value less cost to sell and value in use. The value in use calculation requires the director to estimate the future cash flows expected to arise from the asset or the cash generating unit and a suitable discount rate in order to calculate present value.

(ii) Determining useful economic lives of property, plant and equipment
The company depreciate tangible assets over their estimated useful lives. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires estimates and assumptions to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied, net of returns, discounts and rebates allowed by the company and value added taxes.

The company operates pizza stores for the production and sale of pizzas. Sales of pizzas are recognised when the significant risks and rewards of ownership have transferred to the buyer. This is on sale to the customer, which is considered the point of delivery. Retail sales are usually by cash, credit or payment

3. Accounting policies *(continued)*

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 pay or recover 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.

Operating leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Goodwill

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

Contingent consideration is initially recognised at estimated amount where the consideration is probable and can be measured reliably. Where (i) the contingent consideration is not considered probable or cannot be measured but subsequently becomes probable and measurable or (ii) contingent consideration previously measured is adjusted, the amounts are recognised as an adjustment to the cost of the business combination.

Goodwill purchased from the acquisition of a new store is capitalised and written off on a straight line basis over its useful economic life, which is the lesser of the trading property lease period or the period of the franchise agreement.

Hive-ups

When the controlling interest of shares are purchased, the company recognises the investment in the entity as an investment for the fair value of consideration paid. No goodwill is recognised.

Where the underlying trade and assets of the entity are then subsequently 'hived up', it is deemed that a business combination has occurred as the initial investment in shares was represented by the underlying trade and assets at the time of acquisition. Differences between the purchase consideration and the trade and net assets recognised is recognised as goodwill (upon acquisition).

Any differences between the goodwill recognised and the initial investment in the entity are written-off to the profit and loss account.

3. Accounting policies *(continued)*

Intangible assets

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

Intangible assets acquired as part of a business combination are recorded at the fair value at the acquisition date.

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:

Goodwill	-	10% per annum straight line basis
Franchise fees	-	Straight line basis over the term on the franchise agreement

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.

Tangible assets

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

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:

Leasehold improvements	-	Straight line basis over the term of the trading property lease period
Fixtures, fittings and equipment	-	10-20% straight line basis

Investment in subsidiaries

Investments in subsidiaries are accounted for at cost less any accumulated impairment losses.

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.

3. Accounting policies ***(continued)***

Impairment of fixed assets ***(continued)***

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

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.

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 accruals model.

Under the accruals 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 and is included within other operating income.

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.

3. Accounting policies *(continued)*

Financial instruments

The company has chosen to adopt sections 11 and 12 of FRS 102 in respect of financial instruments.

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Basic financial liabilities, which include trade and other payables, bank loans, loans from other third parties and loans from fellow group companies and other related entities, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year of less. If not, then they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

3. Accounting policies *(continued)*

Employee benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Distributions to equity holders

Dividends and other distributions to the company's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the shareholders. These amounts are recognised in the statement of changes in equity.

4. Turnover

Turnover arises from:

	Period from 28 Dec 20 to 26 Dec 21	Period from 30 Dec 19 to 27 Dec 20
	£	£
Sale of goods	21,843,594	17,953,247

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

5. Other operating income

	Period from 28 Dec 20 to 26 Dec 21	Period from 30 Dec 19 to 27 Dec 20
	£	£
Government grant income	–	70,000

See also note 25 Government grants.

6. Operating profit

Operating profit or loss is stated after charging/crediting:

	Period from 28 Dec 20 to 26 Dec 21	Period from 30 Dec 19 to 27 Dec 20
	£	£
Amortisation of intangible assets	52,962	19,500
Depreciation of tangible assets	388,801	416,468
Loss on disposal of tangible assets	1,680	5,243
Government grants	–	(70,000)
Impairment of loans to other related entities	–	239,945

7. Auditors' remuneration

	Period from 28 Dec 20 to 26 Dec 21	Period from 30 Dec 19 to 27 Dec 20
	£	£
Fees payable for the audit of the financial statements	16,200	19,926

8. Staff costs

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

	26 Dec 21	27 Dec 20
	No.	No.
Management staff	2	2
Operatives	472	452
	474	454

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

	Period from 28 Dec 20 to 26 Dec 21	Period from 30 Dec 19 to 27 Dec 20
	£	£
Wages and salaries	5,195,685	4,840,815
Social security costs	310,059	256,145
Other pension costs	66,082	61,337
	5,571,826	5,158,297

9. Director's remuneration

The director's aggregate remuneration in respect of qualifying services was:

	Period from 28 Dec 20 to 26 Dec 21	Period from 30 Dec 19 to 27 Dec 20
	£	£
Remuneration	30,000	30,000

10. Income from shares in group undertakings

	Period from 28 Dec 20 to 26 Dec 21	Period from 30 Dec 19 to 27 Dec 20
	£	£
Dividend income from group undertakings	832,653	270,612

11. Other interest receivable and similar income

	Period from 28 Dec 20 to 26 Dec 21	Period from 30 Dec 19 to 27 Dec 20
	£	£
Other interest receivable and similar income	91,850	117,172

12. Amounts written off investments

	Period from 28 Dec 20 to 26 Dec 21	Period from 30 Dec 19 to 27 Dec 20
	£	£
Amount written off investments	127,404	–

Investment write-offs relates to the write-off of investments in Dorset Pizza Limited pertaining to the hive-up of its trade and assets as at 26 April 2021. Further details of this transaction can be found in note 32.

13. Interest payable and similar expenses

	Period from 28 Dec 20 to 26 Dec 21	Period from 30 Dec 19 to 27 Dec 20
	£	£
Interest on banks loans and overdrafts	136,318	176,016
Other interest payable and similar expenses	2,684	364
	139,002	176,380

14. Tax on profit

Major components of tax expense

	Period from 28 Dec 20 to 26 Dec 21	Period from 30 Dec 19 to 27 Dec 20
	£	£
Current tax:		
UK current tax expense	866,936	425,175
Adjustments in respect of prior periods	82	–
Total current tax	867,018	425,175

14. Tax on profit ***(continued)***

	Period from 28 Dec 20 to 26 Dec 21 £	Period from 30 Dec 19 to 27 Dec 20 £
Deferred tax:		
Origination and reversal of timing differences	(839)	3,069
Tax on profit	866,179	428,244

Reconciliation of tax expense

The tax assessed on the profit on ordinary activities for the period is lower than (2020: higher than) the standard rate of corporation tax in the UK of 19% (2020: 19%).

	Period from 28 Dec 20 to 26 Dec 21 £	Period from 30 Dec 19 to 27 Dec 20 £
Profit on ordinary activities before taxation	5,009,953	2,200,483
Profit on ordinary activities by rate of tax	951,891	418,092
Adjustment to tax charge in respect of prior periods	82	–
Effect of expenses not deductible for tax purposes	79,324	60,937
Fixed asset differences	(5,486)	–
Investment tax credit	(1,428)	–
Income not taxable for tax purposes	(158,204)	(51,416)
Adjustment to opening deferred tax to average rate	–	631
Tax on profit	866,179	428,244

A reduction in the UK corporation tax rate from 19% to 17% (Effective from 1 April 2020) was substantively enacted on 6 September 2016. A change in the UK corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19%, rather than the previously enacted reduction to 17%.

Factors that may affect future tax expense

A further change in the UK corporation tax rate announced in the Budget on 3 March 2021 was substantively enacted on 24 May 2021. The main rate of corporation tax will be increased to 25% from 1 April 2023. This will increase the company's future current tax charge accordingly. The deferred tax liability at 26 December 2021 has been calculated at these rates.

15. Intangible assets

	Goodwill £	Franchise fees £	**Total £**
Cost			
At 28 December 2020	–	195,000	195,000
Additions	–	–	–
Transfer (Hive up)	418,605	4,563	423,168
At 26 December 2021	418,605	199,563	618,168
Accumulated amortisation			
At 28 December 2020	–	129,188	129,188
Charge for the period	36,400	16,562	52,962
At 26 December 2021	36,400	145,750	182,150
Carrying amount			
At 26 December 2021	382,205	53,813	436,018
At 27 December 2020	–	65,812	65,812

16. Tangible assets

	Leasehold improvements £	Fixtures, fittings and equipment £	**Total £**
Cost			
At 28 December 2020	3,082,943	3,169,239	6,252,182
Additions	(15,000)	34,313	19,313
Disposals	–	(10,928)	(10,928)
Transfer (Hive up)	69,055	75,168	144,223
At 26 December 2021	3,136,998	3,267,792	6,404,790
Accumulated depreciation			
At 28 December 2020	1,727,421	2,371,418	4,098,839
Charge for the period	248,931	139,870	388,801
Disposals	–	(8,614)	(8,614)
At 26 December 2021	1,976,352	2,502,674	4,479,026
Carrying amount			
At 26 December 2021	1,160,646	765,118	1,925,764
At 27 December 2020	1,355,522	797,821	2,153,343

17. Investments

	Shares in group undertakings £
Cost	
At 28 December 2020	2,024,688
Transfer (Hive up)	(418,605)
At 26 December 2021	1,606,083
Accumulated impairment	
At 28 December 2020	–
Impairment losses	127,404
At 26 December 2021	127,404
Carrying amount	
At 26 December 2021	1,478,679
At 27 December 2020	2,024,688

Subsidiary undertakings

	Class of share	Percentage of shares held
Subsidiary undertakings		
MSG Cornwall Limited	Ordinary A	51
Dorset Pizza Limited	Ordinary	100
Hascombe Heath Limited	Ordinary	100

The principal activity of the above named companies is as follows:

MSG Cornwall Limited - pizza delivery service
Dorset Pizza Limited - pizza delivery service
Hascombe Heath Limited - pizza delivery service

The address of the registered office for all the above companies is 12 North Bar, Banbury, OX16 0TB.

On 26 April 2021 the trade and assets of Dorset Pizza Limited were transferred to Third State Pizza Company Limited.

18. Stocks

	26 Dec 21 £	27 Dec 20 £
Raw materials and consumables	103,460	86,650

The difference between purchase price of stocks and their replacement cost is not material.

19. Debtors

	26 Dec 21	27 Dec 20
	£	£
Trade debtors	11,788	43,159
Amounts owed by group undertakings	603,673	271,602
Prepayments and accrued income	205,855	154,047
Corporation tax repayable	5,298	–
Amounts owed by other related entities	8,055,540	8,443,770
Other debtors	160,094	151,210
	9,042,248	9,063,788

The debtors above include the following amounts falling due after more than one year:

	26 Dec 21	27 Dec 20
	£	£
Other debtors	97,487	–

Included within trade debtors and other debtors are amounts totalling £11,788 (2020: £43,159) and £97,487 (2020: £Nil) respectively due from other related entities.

Amounts owed by group undertakings and other related entities are receivable on demand.

20. Creditors: amounts falling due within one year

	26 Dec 21	27 Dec 20
	£	£
Other loans	22,000	22,000
Bank loans and overdrafts	1,675,356	1,672,178
Trade creditors	531,485	260,910
Amounts owed to group undertakings	435,429	365,662
Accruals and deferred income	818,975	1,228,730
Corporation tax	–	324,632
Social security and other taxes	419,266	425,952
Amounts owed to other related entities	761,038	798,038
Other creditors	2,799	3,284
	4,666,348	5,101,386

Bank loans are secured over all present freehold and leasehold property; First Fixed Charge over book and other debts, chattels, goodwill and uncalled capital, both present and future.

Included within trade creditors are amounts totalling £100,777 (2020: £44,160) due to other related entities.

Amounts owed to group undertakings and other related entities are repayable on demand.

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

	26 Dec 21	27 Dec 20
	£	£
Other loans	71,096	93,096
Bank loans and overdrafts	2,737,871	4,372,001
	2,808,967	4,465,097

Included within creditors: amounts falling due after more than one year is an amount of £Nil (2020: £5,097) in respect of liabilities payable or repayable by instalments which fall due for payment after more than five years from the reporting date.

21. Creditors: amounts falling due after more than one year *(continued)*

Bank loans are secured over all present freehold and leasehold property; First Fixed Charge over book and other debts, chattels, goodwill and uncalled capital, both present and future.

The bank loan is repayable over the period until June 2024. The interest rate on the loan is fixed at 2.59% per annum.

Other loans are repayable by instalments over the period of the loans until April 2026. The interest rate on the other loans are either interest free or 3% per annum over the LIBOR.

22. Provisions for liabilities

	Deferred tax (note 23)	Other provisions	**Total**
	£	£	**£**
At 28 December 2020	8,431	–	8,431
Amounts recognised in profit and loss account	(839)	53,664	52,825
At 26 December 2021	7,592	53,664	61,256

Other provisions relate to insurance premiums payable and reflects the amount that management believe will be payable in relation to the current year. The amount payable is uncertain and depends on the level of claims over a three year period to 31 December 2023, at which time the provision is expected to be fully utilised.

23. Deferred tax

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

	26 Dec 21	**27 Dec 20**
	£	**£**
Included in provisions for liabilities (note 22)	7,592	8,431

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

	26 Dec 21	**27 Dec 20**
	£	**£**
Accelerated capital allowances	8,075	9,177
Other short term timing differences	(483)	(746)
	7,592	8,431

24. Employee benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £66,082 (2020: £61,337).

25. Government grants

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

	26 Dec 21	**27 Dec 20**
	£	**£**
Recognised in other operating income:		
Government grants recognised directly in income	–	70,000

25. Government grants *(continued)*

Government grant income includes £Nil (2020: £70,000) receivable under the Retail, Hospitality and Leisure Grant Scheme.

26. Called up share capital

Issued, called up and fully paid

	26 Dec 21 No.	26 Dec 21 £	27 Dec 20 No.	27 Dec 20 £
Ordinary shares of £1 each	100	100	100	100

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:

	26 Dec 21 £	27 Dec 20 £
Not later than 1 year	324,766	353,684
Later than 1 year and not later than 5 years	1,092,922	1,067,673
Later than 5 years	2,361,710	2,359,210
	3,779,398	3,780,567

The amount recognised in the profit and loss account as an expense in relation to operating leases was £406,527 (2020: £489,995).

29. Events after the end of the reporting period

During April 2022, the existing bank loan was repaid in full and a new bank loan of £12m was taken out.

30. Related party transactions

Information about related party transactions and outstanding balances are outlined below:

	26 Dec 21 £	27 Dec 20 £
Amounts owed to entities with control over the company	381,211	365,662
Sales to entities over which the entity has control	70,034	30,531
Purchases from entities over which the entity has control	12,158	6,712
Amounts owed to entities over which the entity has control	52,857	84
Amounts due from entities over which the entity has control	603,885	306,717
Sales to other related parties	96,465	44,340
Purchases from other related parties	961,557	1,017,116
Assets purchased from other related parties	15,459	1,922
Assets sold to other related parties	–	11,162
Management charges from other related parties	406,000	515,285
Amounts owed to other related parties	863,175	842,114
Amounts due from other related parties	8,164,603	8,568,650

31. Controlling party

The immediate and ultimate parent company is Bansols Beta Limited, a company incorporated in England and Wales

Bansols Beta Limited heads the smallest and largest group to prepare consolidated financial statements which include Third State Pizza Company Limited. The consolidated financial statements of Bansols Beta Limited can be obtained from Companies House, Crown Way, Cardiff CF14 3UZ.

32. Hive-ups

Dorset Pizza Ltd:
On 26 April 2021, the trade and assets of Dorset Pizza Limited were hived-up into the operations of the company. The company had obtained control of Dorset Pizza Limited through the acquisition of 100% of its share capital on 31 December 2018.

The net assets acquired at 24 April 2021 were:

	£
Stock	4,579
Debtors	6,143
Creditors	(33,167)
Fixed assets	148,786
Total identifiable net assets	126,341

The assets and liabilities have been brought into the company's financial statements at their net book value at the date of the hive-up. Furthermore, upon hive-up, goodwill totalling £418,605 has been recognised (determined based on fair values at the original acquisition date of 31 December 2018) less the amortisation of the goodwill over the period since acquisition (2 years and 4 months). The difference, totalling £127,404, has been written-off during the current period (Note 12).