Grant Thornton

Financial Statements
EAT Limited

For the period ended 26 June 2014

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COMPANIES HOUSE

Registered number: 03213728

Company Information

Directors	F MacArthur E Godwin E Grimes S Doyle T Solomons A Johnson S Wilson (appointed 18 December 2013)
Company secretary	E Hayes
Registered number	03213728
Registered office	140 Aldersgate Street London EC1A 4HY
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Grant Thornton House Melton Street Euston Square London NW1 2EP
Bankers	AXA Private Debt III S.C.A SICAR 24 Avenue Emile Reuter L-2420 Luxembourg RCS Luxembourg B:178166
	HSBC Bank plc West End CBC 70 Pall Mall London SW1Y 5EZ
Solicitors	DLA Piper UK LLP 3 Noble Street London EC2V 7EE

Contents

Directors' Report
For the period ended 26 June 2014

The directors present their report and the financial statements for the period ended 26 June 2014.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the 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 year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activities

The principal activity of the company during the year was the sale of sandwiches, soups, salads, coffee and related products through a network of retail outlets.

Results

The loss for the period, after taxation, amounted to £11,406,735 (2013 - loss £521,567).

Directors

The directors who served during the period were:

F MacArthur
E Godwin
E Grimes
S Doyle
T Solomons
A Johnson
S Wilson (appointed 18 December 2013)

Employee involvement

During the year, the policy of providing employees with information about the company has continued internally

Directors' Report
For the period ended 26 June 2014

and employees have been encouraged to present their suggestions and views on the company's performance. Regular meetings are held between management and employees to allow for a free flow of information and ideas.

Disabled employees

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person. Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 25/09/14 and signed on its behalf.

A Johnson
Director

Strategic Report
For the period ended 26 June 2014

Financial performance

The results of the group are analysed

	Year to 26-Jun-14 £	Year to 27-Jun-13 £
Turnover	93,952,875	93,595,652
Operating loss before exceptional items	4,726,413	3,064,387
Loss before taxation	26,390,598	12,280,909
EBITDA *	4,006,849	5,580,127
Operating cashflow	5,366,465	6,543,699
Capital expenditure	11,724,078	2,506,493

* EBITDA is calculated as a profit before interest, tax, depreciation, amortisation, exceptional items and investor monitoring fees.

Strategy

FY14 was a year of investment. Following a successful rebrand trial in FY13, a full refurbishment programme commenced during the year. At June close over half of all EAT stores had been refurbished with the new re-invigorated brand proposition. Rebranded stores have delivered a solid top line sales uplift, driving positive full year Like For Like results.

The refurbishment programme continues into FY15, with completion anticipated by December 14. The new store look and feel is providing great stimulus for our customers and employees alike.

In addition EATs brand team continue to deliver successful marketing campaigns that both build on our core proposition and includes engagement in and around our shops. During the year this has culminated in a number of successful product launches which have added to and strengthened the core product range.

Funding structure

Villiers Topco Limited is the ultimate parent of the Villiers Group of companies, via the following ownership hierarchy: Villiers Topco Limited, Villiers Finance Limited, Villiers Acquisition Limited, Eat 2008 Limited, Eat The Real Food Company Limited, EAT Limited.

Finance for the group is provided via Villiers Acquisition Limited by way of a £40m bank loan facility, and from Villiers Finance Limited by way of loan notes issued to Lyceum Capital Fund II, Niall MacArthur and Faith MacArthur. In addition, the group has access to a £5m revolving credit facility.

The loan notes are a debt instrument and have been accounted for as such. Interest payments can be made quarterly at the discretion of the company, or at maturity being 15 April 2021, but generally it is expected that interest will not be paid until maturity.

New Funding

During the year the group refinanced its senior debt. Pursuant to the refurbishment programme, the previous £20m senior facility was replaced with a new £40m facility, including a £12.5m new store capex facility.

Strategic Report (continued)

For the period ended 26 June 2014

Principal risks and uncertainties

The group uses various financial instruments including loans, cash, equity investments and preference shares, and has trade debtors and trade creditors arising directly from operations. The main purpose of these financial instruments is to improve the efficiency of the balance sheet, lower the cost of capital and raise finance for the group's expansion.

The existence of these financial instruments exposes the group to a number of financial risks, the main ones being interest rate risk and liquidity risk. There is no significant credit risk as the group has negligible trade debtors.

Liquidity risk

The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs.

The maturity of borrowings is set out in the financial statements. In addition to these borrowings the parent company has access to a revolving credit facility of £5m. Given available undrawn funding, high cash reserves and the group's ability to self-fund, the liquidity risk is considered to be manageable.

Interest rate risk

The group finances its capital requirements through a mixture of bank borrowings and loan notes. Villiers Acquisition Limited has entered into a forward interest rate hedge, which caps the relevant interbank borrowing rate on £20m at 3% through to 30 June 2015.

Going concern

The group's current period deficit reflects the nature of a leveraged group structure for the Villiers group of companies. Whilst the company's balance sheet reflects a net deficit position, the directors are confident that with the continued financial commitment of its shareholders, it is appropriate to prepare the accounts on a going concern basis.

This report was approved by the board on 25/09/14 and signed on its behalf.

A Johnson
Director

Grant Thornton

Independent Auditor's Report to the Members of EAT Limited

We have audited the financial statements of EAT Limited for the period ended 26 June 2014, which comprise the Profit and loss account, the Balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 26 June 2014 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Grant Thornton

Independent Auditor's Report to the Members of EAT Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.

Grant Thornton UK LLP

Mark Henshaw (Senior statutory auditor)
for and on behalf of
Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
London
Date: 26 September 2014

Profit and Loss Account

For the period ended 26 June 2014

	Note	2014 £	2013 £
Turnover	1,2	**93,952,875**	93,595,652
Cost of sales		**(34,174,957)**	(33,699,101)
Gross profit		**59,777,918**	59,896,551
Administrative expenses		**(61,496,391)**	(60,282,003)
Exceptional items	4	**(9,618,462)**	(10,374)
Total administrative expenses		**(71,114,853)**	(60,292,377)
Operating loss	3	**(11,336,935)**	(395,826)
Interest receivable and similar income		**7,755**	8,182
Interest payable and similar charges	7	**(77,555)**	(133,923)
Loss on ordinary activities before taxation		**(11,406,735)**	(521,567)
Tax on loss on ordinary activities	8	**-**	-
Loss for the financial period	17	**(11,406,735)**	(521,567)

All amounts relate to continuing operations.

There were no recognised gains and losses for 2014 or 2013 other than those included in the Profit and loss account.

The notes on pages 9 to 18 form part of these financial statements.

Balance Sheet
As at 26 June 2014

	Note	£	26 June 2014 £	£	27 June 2013 £
Fixed assets					
Tangible assets	9		**21,179,996**		16,896,768
Current assets					
Stocks	10	**832,846**		792,488	
Debtors	11	**5,295,994**		8,107,820	
Cash at bank	12	**2,841,411**		4,289,161	
		8,970,251		13,189,469	
Creditors: amounts falling due within one year	14	**(17,170,149)**		(14,465,756)	
Net current liabilities			**(8,199,898)**		(1,276,287)
Total assets less current liabilities			**12,980,098**		15,620,481
Creditors: amounts falling due after more than one year	15		**(3,616,743)**		(2,364,146)
Provisions for liabilities					
Other provisions	13		**(7,936,948)**		(423,193)
Net assets			**1,426,407**		12,833,142
Capital and reserves					
Called up share capital	16		**4,400,368**		4,400,368
Share premium account	17		**1,438,315**		1,438,315
Profit and loss account	17		**(4,412,276)**		6,994,459
Shareholders' funds	18		**1,426,407**		12,833,142

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

25/09/14

A Johnson
Director

The notes on pages 9 to 18 form part of these financial statements.

Notes to the Financial Statements

For the period ended 26 June 2014

1. Accounting Policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

1.2 Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

1.3 Going concern

The company had net current liabilities at the balance sheet date however, as its ultimate parent company has indicated its intention to provide financial support, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.4 Turnover

Turnover comprises the sales value of goods sold, exclusive of VAT.

1.5 Research and development

Research and development expenditure is written off in the year in which it is incurred.

1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold Property	-	period of the lease
Fixtures & fittings	-	5 years
Computer equipment	-	3 years

Stores with less than three years trading history will not be impaired. Leasehold improvements for stores which have been trading at a loss for less than three years will not be impaired, unless a decision has been taken to close the store, or management believes the store will not become profitable. This policy reflects a conservative maturity expectation, whereby management recognise that in some instances a store may not reach its full trading potential during its early years of trading. Similarly, for existing stores where trading has deteriorated, leasehold improvements are not impaired before three consecutive successive years of underperformance. This reflects a practical view whereby management seek to demarcate between temporary issues which can be remediated and permanent issues which cannot.

Notes to the Financial Statements

For the period ended 26 June 2014

1. Accounting Policies (continued)

1.7 Stocks

Stocks are valued at the lower of cost and net realisable value, on a first in, first out basis, after making due allowance for obsolete and slow-moving stocks.

1.8 Operating leases

Rentals under operating leases are charged to the Profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

Operating leases are considered to be onerous and will be recognised where the unavoidable costs associated with the lease exceed the expected future economic benefits.

1.9 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.10 Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Notes to the Financial Statements

For the period ended 26 June 2014

1. Accounting Policies (continued)

1.11 Capitalisation of finance cost and interest

Interest costs are expensed in the year incurred. Finance raising costs are capitalised and amortised over the life of the relevant debt instrument on a straight line basis.

1.12 Provisions

A provision is recognised when the group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

2. Turnover

The turnover and profit before tax are attributable to the one principal activity of the company which only operates in the UK.

3. Operating loss

The operating loss is stated after charging:

	2014	2013
	£	£
Depreciation of tangible fixed assets:		
- owned by the company	**5,716,366**	5,869,872
Auditors Fees	**28,765**	27,669
Operating lease rentals:		
- other operating leases	**14,535,198**	14,265,082

4. Exceptional items

	2014	2013
	£	£
Provision for VAT liabilities	**(4,408,392)**	-
Net loss on disposable of tangible fixed assets	**(842,052)**	(184,374)
Provision for onerous leases	**(3,227,136)**	-
Impairment of leasehold improvements	**(1,062,432)**	-
Restructing costs	**(78,450)**	-
	(9,618,462)	(184,374)

The provision for VAT liabilities includes an amount of £3,659,823 pursuant to the Sub One case decision (see note 20) and amount of £748,569 in respect of VAT previously accounted for incorrectly.

Notes to the Financial Statements
For the period ended 26 June 2014

5. Staff costs

Staff costs, including directors' remuneration, were as follows:

	2014 £	2013 £
Wages and salaries	**24,549,126**	23,539,741
Social security costs	**1,681,131**	1,735,236
	26,230,257	25,274,977

The average number of employees during the period was as follows:

	2014 No.	2013 No.
Production staff	**260**	265
Retail staff	**1,310**	1,296
Other staff	**67**	71
	1,637	1,632

6. Directors' remuneration

	2014 £	2013 £
Emoluments	**618,353**	761,072

The highest paid director received remuneration of £157,500 (2013 - £222,129).

7. Interest payable

	2014 £	2013 £
On bank loans and overdrafts	**-**	133,923
Other interest payable	**77,555**	-
	77,555	133,923

Notes to the Financial Statements

For the period ended 26 June 2014

8. Taxation

Factors affecting tax charge for the period

The tax assessed for the period is higher than (2013 - higher than) the standard rate of corporation tax in the UK of 22.5% (2013 - 23.75%). The differences are explained below:

	2014	2013
	£	£
Loss on ordinary activities before tax	**(11,406,735)**	(521,567)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 22.5% (2013 - 23.75%)	**(2,566,515)**	(123,872)
Effects of:		
Expenses not deductible for tax purposes	**253,070**	271,000
Depreciation in excess of capital allowances	**1,403,523**	-
Utilisation of tax losses	-	320,000
Deferred tax asset not recognised	**909,922**	-
Group relief	-	(467,128)
Current tax charge for the period (see note above)	-	-

9. Tangible fixed assets

	Leasehold Property	Fixtures & fittings	Total
	£	£	£
Cost			
At 28 June 2013	**25,969,200**	**24,741,087**	**50,710,287**
Additions	**1,248,756**	**10,426,503**	**11,675,259**
Disposals	**(1,541,643)**	**(3,620,484)**	**(5,162,127)**
At 26 June 2014	**25,676,313**	**31,547,106**	**57,223,419**
Depreciation			
At 28 June 2013	**16,586,399**	**17,227,120**	**33,813,519**
Charge for the period	**2,545,296**	**3,171,699**	**5,716,995**
On disposals	**(1,401,770)**	**(3,147,753)**	**(4,549,523)**
Impairment charge	**1,062,432**	-	**1,062,432**
At 26 June 2014	**18,792,357**	**17,251,066**	**36,043,423**
Net book value			
At 26 June 2014	**6,883,956**	**14,296,040**	**21,179,996**
At 27 June 2013	9,382,801	7,513,967	16,896,768

Notes to the Financial Statements

For the period ended 26 June 2014

10. Stocks

	26 June 2014 £	27 June 2013 £
Raw materials	**558,920**	514,330
Finished goods and goods for resale	**273,926**	278,158
	832,846	792,488

11. Debtors

	26 June 2014 £	27 June 2013 £
Trade debtors	**811,327**	521,656
Amounts owed by group undertakings	**807,341**	4,017,037
Other debtors	**545,214**	334,648
Prepayments and accrued income	**3,132,112**	3,234,479
	5,295,994	8,107,820

Included in other debtors are rent deposits due in more than one year totalling £92,063 (2013: £124,563).

12. Cash Restrictions

Cash at bank and in hand includes cash deposits that are not available to the group for normal trading activity without prior conditional agreement by the group's loan provider. A restriction on identified cash deposits is pursuant to bank covenant terms and conditions for the senior facilities set out in note 19. At 26 June 2014 restricted cash deposits totalled £1,153,864 (2013: £1,153,864).

Notes to the Financial Statements

For the period ended 26 June 2014

13. Provisions

	Onerous lease	VAT	Total
	£	£	£
At 28 June 2013	423,193	-	423,193
Additions	3,227,136	4,457,736	7,684,872
Released	(171,117)	-	(171,117)
At 26 June 2014	3,479,212	4,457,736	7,936,948

Onerous lease

The provision for onerous leases represents the excess of unavoidable property costs over expected future economic benefits, over the term of the relevant onerous leases.

VAT

The provision for VAT liabilities includes an amount of £3,659,823 pursuant to the Sub One case decision and an amount of £748,569 in respect of VAT previously accounted for incorrectly, plus a provision of £49,344 for interest payable. Repayment of the £3,659,823 would be funded through restricted cash of £1,153,864 (see note 12), together with £2,200,000 in additional loan notes subscribed for by the Lyceum investors.

14. Creditors:

Amounts falling due within one year

	26 June 2014	27 June 2013
	£	£
Trade creditors	7,371,967	6,438,568
Other taxation and social security	637,540	1,418,491
Accruals and provisions	9,160,642	6,608,697
	17,170,149	14,465,756

Notes to the Financial Statements

For the period ended 26 June 2014

15. Creditors: Amounts falling due after more than one year

	26 June 2014 £	27 June 2013 £
Amounts owed to group undertakings	**3,305,843**	2,053,246
Share capital treated as debt (Note 16)	**310,900**	310,900
	3,616,743	2,364,146

Disclosure of the terms and conditions attached to the non-equity shares is made in note 16.

Amounts owed to group undertakings have no repayment terms and no interest is charged.

16. Share capital

	26 June 2014 £	27 June 2013 £
Shares classified as capital		
Authorised		
44,002,160 Ordinary shares of £0.10 each	**4,400,216**	4,400,216
1,780 Ordinary 'A' shares of £0.10 each	**178**	178
	4,400,394	4,400,394
Allotted, called up and fully paid		
44,002,120 Ordinary shares of £0.10 each	**4,400,212**	4,400,212
1,555 Ordinary 'A' shares of £0.10 each	**156**	156
	4,400,368	4,400,368
Shares classified as debt		
Authorised		
310,900 Founder shares of £1 each	**310,900**	310,900
Allotted, called up and fully paid		
310,900 Founder shares of £1 each	**310,900**	310,900

Notes to the Financial Statements
For the period ended 26 June 2014

16. Share capital (continued)

On return of assets on liquidation or otherwise the assets of the company remaining after payment of its liabilities are applied first to 'A' ordinary shares at £875 per share together with a sum equal to any arrears or accrual of dividends. Secondly 'Founder' shares receive £1 per share plus a sum equal to 6 pence per annum per share. Thirdly ordinary shares receive 10 pence per share. The remaining balance is distributed amongst the 'A' ordinary shares and ordinary shares pari passu.

Ordinary and 'A' ordinary shares carry one vote each. 'Founder' shares have no voting rights.

17. Reserves

	Share premium account	Profit and loss account
	£	£
At 28 June 2013	1,438,315	6,994,459
Loss for the period		(11,406,735)
At 26 June 2014	1,438,315	(4,412,276)

18. Reconciliation of movement in shareholders' funds

	26 June 2014	27 June 2013
	£	£
Opening shareholders' funds	12,833,142	13,354,709
Loss for the financial period	(11,406,735)	(521,567)
Closing shareholders' funds	1,426,407	12,833,142

19. Operating lease commitments

At 26 June 2014 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	26 June 2014	27 June 2013
	£	£
Expiry date:		
Within 1 year	2,864,820	1,821,379
Between 2 and 5 years	5,765,679	6,325,795
After more than 5 years	7,360,293	7,153,218

Notes to the Financial Statements

For the period ended 26 June 2014

20. Related party transactions

No transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8, as exemptions have been taken regarding transactions with the wholly owned group companies.

21. Ultimate parent undertaking and controlling party

EAT Limited is a subsidiary undertaking of EAT. The Real Food Company Limited, by virtue of EAT. The Real Food Company Limited holding 100% of the company's issued share capital.

The largest and smallest group of undertakings for which group accounts have been drawn up is that headed by Villiers Topco Limited, being the ultimate parent company. Copies of the group accounts can be obtained at 140 Aldersgate Street, London, EC1A 4HY,