

PandoraExpress 2 Limited

Directors' Report and
Financial Statements

For the period ended 1 January 2017



Company Information

Directors

J Wang
A Pellington

Company Secretary

A Pellington

Registration Number

04688647

Registered office

Hunton House
Highbridge Estate
Oxford Road
Uxbridge
Middlesex
United Kingdom
UB8 1LX

Independent auditors

PricewaterhouseCoopers LLP
The Atrium
1 Harefield Road
Uxbridge
Middlesex
UB8 1EX

PandoraExpress 2 Limited
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The Directors present their Directors' Report and audited financial statements (the "Financial Statements") for PandoraExpress 2 Limited ("the Company") for the 79 week period ended 1 January 2017 (the "period"). The comparative period is the 52 week period ended 28 June 2015.

The company is a holding company within the PizzaExpress Group.

Business activities

During the financial period, the Company changed its accounting reference date ("ARD") to 31 December. As a result, these Financial Statements have been prepared for the 79 weeks to 1 January 2017 (the closest Sunday to the ARD as described in the Company's accounting policies).

Directors

The Directors of the Company during the period to the date of approving this report were:

A Pellington
J Wang (appointed 06/06/2017)
R Hodgson (resigned 30/05/2017)

Results and dividends

The profit for the financial period amounted to £190,000 (2015: £122,000). The Company had net assets of £3,310,000 (2015: £3,120,000) as at 1 January 2017.

The Directors do not recommend payment of a final dividend.

Financial instruments

The Directors consider that the Company's key financial instruments are amounts due from and due to group companies. No financial exposure exists in relation to the intercompany balances as where interest is charged on these balances it is fixed. The Directors will revisit the appropriateness of the policy should the Company's operations change in size or nature.

Financial risk management

The Company's activities expose it to financial risks being primarily liquidity risk. Given that the Company is in a net asset position, this is not considered to be a significant risk.

Future developments

The Company will continue to act as a holding company for the PizzaExpress Group.

Going concern

Given the Company is in a net asset position at 1 January 2017, the Directors consider the business able to continue to meet its obligations as they fall due and remain in business for the foreseeable future.

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements 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 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. The Directors 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.

Directors' indemnity provisions

Qualifying third party indemnity provisions as defined by the Companies Act 2006 were in force for the benefit of Directors throughout the period and up to the date of approval of the Financial Statements.

Post balance sheet events

There are no post balance sheet events to disclose.

Disclosure of information to auditors

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware. The Directors have taken all the relevant steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

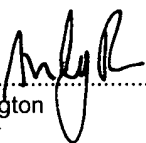
Independent auditors

The independent auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Small companies exemption

In preparing this report, the Directors have taken advantage of the small companies exemptions provided by sections 414A and 415A of the Companies Act 2006.

This Directors' report was approved by the Board on 13 June 2017 and signed on its behalf of the Board


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A Pellington
Director

Report on the Financial Statements

Our opinion

In our opinion, PandoraExpress 2 Limited's Financial Statements (the "Financial Statements"):

- give a true and fair view of the state of the Company's affairs as at 1 January 2017 and of its profit for the 79 week period (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.

What we have audited

The Financial Statements, included within the Directors' Report and Financial Statements (the "Annual Report"), comprise:

- the Statement of Financial Position as at 1 January 2017;
- the Statement of Comprehensive Income for the period then ended;
- the Statement of Changes in Equity for the period then ended;
- the notes to the Financial Statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the Financial Statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: take advantage of the small companies exemption in preparing the Directors' Report; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Responsibilities for the Financial Statements and the audit

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 1, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of Financial Statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



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Sarah Quinn (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge
13 June 2017

	Note	Period ended 1 January 2017 £000	Period ended 28 June 2015 £000
Operating result	3	-	-
Finance income	6	13,506	8,658
Finance costs	7	(13,316)	(8,536)
Net finance income		190	122
Profit on ordinary activities before taxation		190	122
Taxation on profit on ordinary activities	8	-	-
Profit for the financial period		190	122
Total comprehensive income for the period		190	122

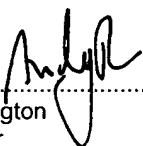
All results arise from the Company's continuing operations.

The notes on pages 8 to 14 are an integral part of these Financial Statements.

	Note	1 January 2017 £000	28 June 2015 £000
Investments in subsidiaries	9	13	13
Fixed assets		13	13
Trade and other receivables	10	238,604	225,098
Current assets		238,604	225,098
Trade and other payables	11	(235,307)	(221,991)
Current liabilities		(235,307)	(221,991)
Net current assets		3,297	3,107
Net assets		3,310	3,120
Share capital	13	13	13
Retained earnings		3,297	3,107
Total equity		3,310	3,120

The notes on pages 8 to 14 are an integral part of these Financial Statements.

The Financial Statements on pages 5 to 14 were approved by the Board of Directors on 13 June 2017 and were signed on its behalf by


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A Pellington
Director

PandoraExpress 2 Limited
Statement of Changes in Equity
For the period ended 1 January 2017

	Share capital £000	Retained earnings £000	Total equity £000
At 30 June 2014	13	2,985	2,998
Comprehensive income			
Profit for the financial period	-	122	122
At 28 June 2015	13	3,107	3,120
At 29 June 2015	13	3,107	3,120
Comprehensive income			
Profit for the financial period	-	190	190
At 1 January 2017	13	3,297	3,310

The notes on pages 8 to 14 are an integral part of these Financial Statements.

1. General information

PandoraExpress 2 Limited is a limited Company domiciled and incorporated in the United Kingdom. The Company's registered office is Hunton House, Highbridge Estate, Oxford Road, Uxbridge, Middlesex, United Kingdom, UB8 1LX.

The Company is a non trading entity.

2. Summary of significant accounting policies

Basis of preparation

The Financial Statements have been prepared on a historical costs basis and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' and the Companies Act 2006 applicable to companies reporting under FRS 101.

The Financial Statements have been prepared on a going concern basis.

The principal accounting policies are outlined below. These policies have been consistently applied to all periods presented, unless otherwise stated.

FRS 101 – Reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IFRS 7 Financial Instruments: Disclosures
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

The above disclosures can be found in the Financial Statements of PizzaExpress Financing 1 plc and PizzaExpress Group Holdings Limited, the smallest and largest groups respectively for which the financial information of the Company is consolidated.

Consolidated financial statements

The Company is a wholly owned subsidiary of PandoraExpress 2 Limited and of its ultimate parent, PizzaExpress Group Holdings Limited. It is included in the consolidated Financial Statements of PizzaExpress Group Holdings Limited and included in the consolidated Financial Statements of its intermediate parent, PizzaExpress Financing 1 plc, both of which are publically available. Therefore the Company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated Financial Statements. The address of the ultimate and intermediate parent's registered office is Hunton House, Highbridge Estate, Oxford Road, Uxbridge, Middlesex, UB8 1LX.

These Financial Statements are separate Financial Statements.

2. Summary of significant accounting policies (continued)

Finance costs

Finance costs are charged to the income statement over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Finance income

Finance income is recognised in the income statement using the effective interest method.

Taxation

The tax expense represents the sum of current tax and deferred tax.

Current taxation

Current tax payable is based on taxable profit for the period which differs from accounting profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and those items never taxable or deductible. The Company's liability for current tax is measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the Financial Statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the substantively enacted tax rates at the balance sheet date that are expected to apply to the year when the asset is realised or the liability is settled. Deferred tax is charged or credited in comprehensive income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is dealt with in equity, or items charged or credited directly to other comprehensive income, in which case the deferred tax is also recognised in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets and liability and when the Company intends to settle its current tax assets and liabilities on a net asset basis.

Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Financial instruments

Financial assets and financial liabilities are recognised when the Company has become a party to the contractual provisions of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets

The Company classifies all of its financial assets as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through intercompany transactions, but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

2. Summary of significant accounting policies (continued)

Financial liabilities

The Company classifies all of its financial liabilities as liabilities at amortised cost. Financial liabilities at amortised cost are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument.

The Company does not hold or issue derivative financial instruments for trading purposes..

Critical accounting estimates and areas of judgement

Management have not applied any significant judgements or estimates in the production of these Financial Statements.

3. Operating result

The audit fee of £3,500 (2015: £3,300) for the Company for the period was borne by and included within the financial statements of PizzaExpress Group Limited, an intermediate parent Company.

4. Employees

The Company has no employees other than the directors.

5. Directors remuneration

No remuneration was paid by the Company to any Director during the period (2015: £nil). All Directors were remunerated by PizzaExpress Group Limited during the period. This company did not make any recharge to the Company as it is not possible to make an accurate apportionment of the Directors' emoluments in respect of each of the companies of which they are directors.

The Company does not operate a defined benefit pension scheme and did not make any contributions to defined contribution pension schemes for directors. No Directors had any interests in any options for shares in the Company.

6. Finance income

	Period ended 1 January 2017 £000	Period ended 28 June 2015 £000
Interest receivable from group companies	13,506	8,658
	<u>13,506</u>	<u>8,658</u>

7. Finance costs

	Period ended 1 January 2017 £000	Period ended 28 June 2015 £000
Interest payable to group companies	13,316	8,536
	<u>13,316</u>	<u>8,536</u>

8. Taxation on profit on ordinary activities

	Period ended 1 January 2017 £000	Period ended 28 June 2015 £000
Current tax		
Current tax on profits for the period	-	-
Adjustments in respect of previous periods	-	-
	-	-
	-	-
Taxation on profit on ordinary activities	-	-

The tax assessed for the period is lower (2015: lower) than the standard rate of corporation tax in the United Kingdom of 20.00% (2015: 20.75%). The differences are reconciled below:

	Period ended 1 January 2017 £000	Period ended 28 June 2015 £000
Profit on ordinary activities before taxation	190	122
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015: 20.75%)	38	25
Effects of:		
Group relief	(38)	(25)
Total taxation charge for the period	-	-

Factors that may affect future tax charges

Any changes in the rate of UK corporation tax will have an impact on the future tax charge. Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 16 March 2016. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. These changes had been substantively enacted at the balance sheet date and therefore their impact is included in these Financial Statements.

9. Investments

	Investments in subsidiaries £000
Cost and net book value	
At 29 June 2015 and 1 January 2017	<u>13</u>

The Directors consider that the fair value of the investments is not less than their carrying value.

The following were subsidiary undertakings of the Company during the period:

Name	Class of Share	Holding
PandoraExpress 3 Limited *	Ordinary	100%
PandoraExpress 4 Limited	Ordinary	100%
PandoraExpress 5 Limited	Ordinary	100%

*Direct shareholding

All subsidiaries are incorporated in the United Kingdom.

10. Trade and other receivables

	1 January 2017 £000	28 June 2015 £000
Amounts owed by group undertakings	238,604	225,098
	<u>238,604</u>	<u>225,098</u>

Amounts owed by group undertakings due within one year are charged at an interest rate of 4% per annum on individual balances over £10,000,000 and are repayable on demand.

11. Trade and other payables

	1 January 2017 £000	28 June 2015 £000
Amounts owed to group undertakings	235,307	221,991
	<u>235,307</u>	<u>221,991</u>

Amounts owed to group undertakings due within one year are charged at an interest rate of 4% per annum on individual balances over £10,000,000 and are repayable on demand.

12. Financial instruments

	1 January 2017 £000	28 June 2015 £000
Financial assets		
Trade and other receivables	238,604	225,098
	<u>238,604</u>	<u>225,098</u>
Financial liabilities		
Trade and other payables	235,307	221,991
	<u>235,307</u>	<u>221,991</u>

13. Share capital

	No.	1 January 2017 £000	No.	28 June 2015 £000
Share capital				
12,502 (2015: 12,502) Ordinary shares of £1 each	12,502	13	12,502	13
	<u>12,502</u>	<u>13</u>	<u>12,502</u>	<u>13</u>

14. Contingent liabilities

The Company is a guarantor to Senior Secured Notes and Senior Notes issued by its intermediate parent companies PizzaExpress Financing 2 Limited and PizzaExpress Financing 1 Limited respectively. These guarantees are over substantially all of the assets held by the Company.

The amounts outstanding at the balance sheet date in relation to these notes were £477,939,000 (2015: £477,517,000) for the Senior Secured Notes and £207,251,000 (2015: £207,007,000) for the Senior Notes, including accrued interest.

The Company is also a potential guarantor to a Revolving Credit Facility (the 'RCF') available to PizzaExpress Financing 2 Limited, who may request that any of its subsidiaries become a guarantor to the facility. The RCF is currently not drawn down.

15. Related party transactions

The Company has taken advantage of the exemption available under FRS 101, Section 8, not to disclose transactions with wholly owned subsidiaries of PizzaExpress Group Holdings Limited.

There were no other related party transactions to disclose.

16. Parent and ultimate parent undertakings

The immediate parent of PandoraExpress 2 Limited is PandoraExpress 1 Limited, a company who is an indirect subsidiary of PizzaExpress Financing 1 plc, a limited company under the laws of England and Wales and the smallest group for which consolidated Financial Statements are prepared. PizzaExpress Financing 1 plc is a direct subsidiary of PizzaExpress Group Holdings Limited, a limited company under the laws of England and Wales and the largest group for which consolidated Financial Statements are prepared. The Financial Statements of PizzaExpress Financing 1 plc and PizzaExpress Group Holdings Limited are available from the Company Secretary, Hunton House, Highbridge Estate, Oxford Road, Uxbridge, Middlesex, UB8 1LX.

The Directors consider Crystal Bright Developments Limited, a company registered in the British Virgin Islands, to be the ultimate parent company, and private equity firm Hony Capital to be the ultimate controlling party.