PAM Group Limited

Financial Statements

Year Ended 3 January 2013

COMPANY NUMBER 06458900

★ PRET A MANGER ★

PAM Group Limited

Contents

Directors and Advisors

For the year ended 3 January 2013

Directors	S C S Beecham L K Billett N J Candler A G Dahlvig V M L Gwilliam W N Jackson C E B Schlee
Registered Office	1 Hudson's Place London SW1V 1PZ
Registered Number	06458900
Independent Auditors	KPMG LLP 15 Canada Square London E14 5GL
Bankers	Rabobank International Thames Court 1 Queenhithe London EC4V 3RL
	HSBC Bank plc 8 Canada Square London E14 5HQ

PAM Group Limited

Chairman's Statement

For the year ended 3 January 2013

Overview

With the support of customers and the hard work of colleagues Pret A Manger has had a good year in challenging times Sales and EBITDA both grew strongly during 2012 and we continued our measured expansion of the business, building and refurbishing more shops in the United Kingdom, successfully opening our first shops in France and taking Pret to a new US city, with two stores opening at the end of the year in Boston We were able to achieve this because we have remained faithful to our core values – providing delicious natural food with great service in very attractive shops

During 2012 Pret opened 36 new shops 19 in the UK, 11 in the USA, 2 in Hong Kong and 4 in France This brought the total number of shops at the end of the year to 316. 249 in the UK, 50 in the USA, 13 in Hong Kong and 4 in France Importantly, we have also continued our broader capital investment programme, updating over 50 shops with our new, lighter design and we have extended a number of shops, increasing seating areas and reducing the bottlenecks that lead to queues In 2012 our new shop openings and extensions in the UK and overseas created over 900 new jobs and increased our contribution to the economies in which we operate

Pret's revenue, which increased by 18% to £443 8 million in 2012, was matched by a similar increase in EBITDA and a reduction in external bank debt This resulted in Pret continuing to strengthen its Balance Sheet, which provides an excellent platform for further investment in the business We enter 2013 in a strong financial position with external leverage reduced to 1 8 times earnings

In 2013 we will continue to invest in new shop openings and plan to build more shops than we did in 2012 Almost half of the new shop openings will be outside the UK, including a further four new shops in Paris

Whilst we will continue to focus on growth in the year ahead, Pret believes strongly in a responsible approach to business and our work with the homeless continues to be particularly important to all of us It is particularly noteworthy that the Pret Foundation Trust distributed 2 5 million sandwiches and salads to homeless charities last year and I am also pleased to report that we expanded our Apprenticeship Scheme to help 70 young homeless people back into work, as well as launching our fledgling School Leaver Programme

	2012	2011	% change
Turnover	£443 8m	£377 3m	18%
EBITDA*	£61 3m	£52 4m	17%
Number of shops	316	286	10%
Net external debt	£110 1m	£123 9m	-11%
Leverage**	1 8	2 4	-25%

* Earnings before interest, tax, depreciation, amortisation and exceptional items

** External net debt as a multiple of EBITDA

PAM Group Limited

Chairman's Statement

For the year ended 3 January 2013

History and Values

Pret has endeavoured to offer delicious, natural food that is enjoyable to eat whilst providing the range of nutrition needed for good health for over 25 years During this period Pret has remained committed to its values and strengths outstanding food, amazing service and creating the right shop environment

Our freshly prepared food is handmade in shop each day using natural, ethically-sourced ingredients These products don't have 'sell by' dates because we offer our unsold food to charity at the end of each day Consumer expectations in all our markets continue to rise, and healthy eating is important to a growing number of people In this environment, Pret's simple values, our in-shop kitchens and our commitment to innovation have become increasingly meaningful

We continue to adapt our product range to meet the tastes and needs of our customers Pret increased and improved its hot food offer during 2012, with a refreshed range of soups and the introduction of hot breakfast rolls Hot food sales continued to increase reaching 20% of sales last year In recognition of the importance of healthy eating, we offer natural and nutritionally balanced products and provide calorie and saturated fat information at the point of sale for our core range

We do our best to deliver amazing and consistent service to our customers We recognise the vital importance of team member motivation in Pret's success and consider this in our recruitment, training and reward policies

Making a contribution to our society is at the heart of our values It is as part of this effort that the Pret Foundation Trust has worked for many years with local homeless charities to ensure that our unsold sandwiches go to people who need them, rather than to waste For the first time in 2012 Pret raised over £1 million for the homeless charities we support, including a donation of 5p for every sandwich and baguette sold at Christmas

The Simon Hargraves Apprenticeship Scheme, named in honour of our colleague who died in 2009, offers young homeless people the opportunity of a three-month work experience programme, with the aim of helping them to build a new future It was set up as part of our effort to support grass roots charities and to help them tackle the causes of homelessness The programme provides real work and personal development, a dedicated mentor for support, and the same pay and benefits as other Pret employees It can lead to a permanent position within Pret or help provide the confidence and experience required to follow a career elsewhere In 2012 we continued to increase the number of apprenticeships offered Of the 70 young, previously homeless people to whom we gave apprenticeships in 2012, 46 found permanent employment with Pret We aim to offer a further 60 apprenticeships in 2013 and lay the foundations to expand the scheme into the US

Our School Leaver Programme was launched in 2012, recognising the opportunity Pret has to help address youth unemployment in the UK We had over 130 applicants and took on 9 school leavers in September – 8 of these are still employed with Pret and have started climbing the career ladder

Chairman's Statement

For the year ended 3 January 2013

Results

The business delivered a strong performance, producing record turnover and profit Turnover was £443.8 million, 18% above our 2011 turnover of £377 3 million EBITDA increased to £61 3 million, 17% more than the £52 4 million the Group produced in 2011

Pret continued its investment in expansion during the year, opening 36 new shops 19 in the UK, 11 in the USA, 2 in Hong Kong and 4 in France In the UK we opened two further shops focused on the specific needs of the regional market during the year The objective of this concept is to tailor our offering to operate in areas with lower office worker densities

In the USA Pret opened in Boston, and now trades in four USA cities As well as the 2 new shops in Boston, we opened 3 new shops in New York, 2 in Washington and 4 in Chicago Our Hong Kong business opened 2 new shops and continues to deliver good profitability as we focus on understanding and developing our offering to engage local Cantonese-speaking customers

Pret now operates in four markets, with four vibrant shops opened in Paris during 2012 We have adapted the Pret offering for local French customers, whilst remaining true to our long-held core values The shops are trading well and Pret's entry into the market has been recognised with the award of the 'Enseigne D'Or', a leading French shopping award

Net of a small number of closures, the Pret shop estate increased by 10% in the year Capital cash expenditure in 2012 was £37 5 million, £9 1 million higher than our investment in 2011

Group operating profit excluding goodwill amortisation and exceptional items was as follows

Group operating profit	2012 £m	2011 £m
Group turnover	**443 8**	**377.3**
Cost of sales	(156 0)	(132 5)
Gross profit	**287 8**	**244.8**
Distribution costs	(101 1)	(86 1)
Administrative expenses	(146 9)	(127 7)
Other operating income	0 1	2 5
Group operating profit (before interest and tax)	**39 9**	**33 5**
add back Depreciation	20 6	18 2
add back Non-cash loss on disposal	0 8	0 7
EBITDA	**61.3**	**52 4**

Chairman's Statement

Goodwill

The consolidated profit and loss account shown on page 19 includes a non-cash goodwill amortisation charge of £16 4 million arising from the April 2008 acquisition of the Pret group by our holding company PAM Group Limited The goodwill from that transaction is being amortised over 20 years, resulting in the annual charge

Capital Structure

During 2012 the Group reduced its net external bank debt from £123 9 million to £110 1 million, after making scheduled repayment of £6 0m of senior debt and increased Group cash holdings The reduction in net external debt and increase in EBITDA reduced the Group's leverage to 1.8

As at 3 January 2013, total Group funding of £516 2 million comprised £2 0 million of ordinary shares, £135 2 million of preference shares, £237 9 million of shareholder notes held by equity investors, and £141 1 million of bank debt net of capitalised financing fees Cash was £31 1 million Net external debt was therefore £110 1 million Group assets before bank debt and shareholder liabilities were £338.1 million

Non-Cash charges

As is common in private equity ownership structures, non-cash finance costs include interest on shareholder notes and preference shares on which there will be no payments until the earlier of a sale or flotation of the business or February 2019

Despite the non-cash nature of these obligations to shareholders, under UK GAAP the Group is required to present these shareholder investments as debt in the Group's financial statements This is due to the fixed nature of the dividend accruals on the cumulative preference shares and of the interest accrual on the shareholder notes

The non-cash charges required under UK GAAP result in the Group presenting in its accounts a retained loss for the period despite generating substantial operating profits

Control

Bridgepoint Advisers Limited owns 65% of the ordinary share capital of PAM Group Limited through various funds Pret's founders and our previous chairman, Larry Billett, have 19%, whilst the executive members of the management team have 16% of the ordinary share capital of the Company

Chairman's Statement

For the year ended 3 January 2013

Outlook

Consumers remain cautious about the economic outlook and Pret focuses, as always, on what we can influence, namely the quality of our food and service, and the quality and breadth of our estate

In 2013 we will increase our investment in new shop openings and plan to build more shops than we did in 2012, our previous peak In the UK our growth will include more shops adapted to meet the needs of regional towns In the USA we will increase the growth of our estate in New York, Washington, Chicago and Boston We plan to open two shops in Hong Kong and four shops in Paris We are also laying the foundations required to open in Shanghai in 2014

We will also continue to refurbish our existing estate with fresh design ideas and invest in equipment to support our food innovation We will continue to celebrate Pret's values through our 'Joy of Pret' programme, which actively encourages acts of kindness and fun and recognises the important relationship between our staff, our food and our customers

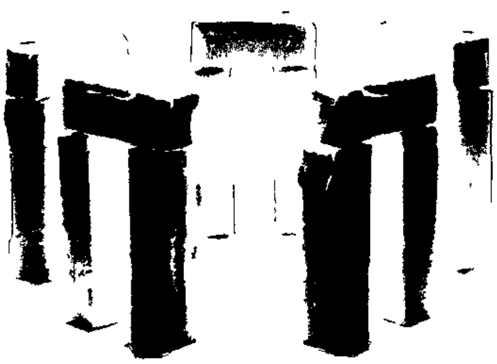
We are always aware of the role we play in the communities we are part of as we continue to build the Simon Hargraves Apprenticeship Scheme, our School Leavers Programme and aim to raise £1 25 million for the Pret Foundation Trust

Our board underwent further change in 2012 Andrew Walker, who led our UK business, left Pret during the summer after many years of contribution to the success of our Company We all wish him well in the future In September we were delighted to welcome Anders Dahlvig to the Pret board as a non-executive advisor Formerly CEO and President of IKEA for ten years, we know Anders will provide excellent insight, challenge and support as Pret continues to grow

Pret had a strong 2012 and we are confident about the prospects for the year ahead despite the uncertain economic backdrop We are indebted to our team members all over the world, each of whom strives tirelessly to provide quick and friendly service to our customers We also thank our many business partners whose contribution and support has helped Pret grow over the last 12 months and who play a critical role in our success

William Jackson
Chairman

25 March 2013



Directors' Report

For the year ended 3 January 2013

The Directors submit their report and financial statements for the year ended 3 January 2013

Principal activities and review of the business

The principal activity of the Group during the year was the retailing of food and drink in the United Kingdom, United States, Hong Kong and France The principal activity of the Company was to act as a holding company

Results and dividends

Operating profit of the Group before goodwill amortisation and exceptional items for the year is £39,926,000 (2011 £33,464,000)

The consolidated loss before goodwill amortisation, exceptional items and taxation is £7,625,000 (2011: £13,848,000) The consolidated loss before taxation is £25,098,000 (2011 £30,222,000)

No dividends were declared or paid during the year. Preference share dividends accrued during the year were £14,486,000 (2011 £12,934,000)

Strategy

Pret's goal is to be a leading fast food retail company, selling fresh food made on the premises from natural ingredients Pret's strategy is to expand in the United States and Europe, while always nurturing its core UK business In addition, the Group continues to focus on developing a credible long term emerging market strategy as well as a replicable, profitable business model for smaller market towns and suburbs in the UK

Pret seeks to maximise its two key competitive advantages the taste and freshness of its food and the professionalism of its service The Group also pays great attention to other success factors such as product innovation, site selection, cost management and engaging communication

The actions needed to deliver the strategy in the near future include opening successful new shops in each of the four US cities Pret now operates in, continuing to evolve the model for lower density locations in UK regional towns, focusing on food innovation and communicating our coffee credentials in the UK, building on a successful first year in Paris with four more shops and a clear path to sustainable profit levels, and, as always, we will continue to recognise the vital role of team member motivation in Pret's success

In addition to the financial and non-financial Key Performance Indicators outlined on page 10, the Group measures its efficiency together with staff and customer satisfaction through a range of other indicators including till speed, kitchen productivity, waste control, a detailed annual employee opinion survey and daily customer comment summaries

Directors' Report

Market review

The UK sandwich retail market is estimated to have reached £4 3bn in 2012 (source Mintel Sandwiches and Lunchtime Foods Report, November 2012) Short term factors such as poor weather experienced in the UK in 2012 may have led to a contraction in spending at lunch out-of-home, whilst longer term factors such as low consumer confidence may also have dampened spending on eating out Mintel expects the market to grow steadily to £4 5bn by 2017

There continues to be significant innovation in the out-of-home market as customers seek out lunch options different from those which they eat at home and offering added value, either through freshness, health or excitement

The coffee shop sector continues to develop its food offering and remains fast growing. The branded coffee shop sector has expected annual outlet growth of 6% to 2017 (source Allegra Strategies, UK Retail Coffee Shop Market Report, December 2012)

Despite this activity, Pret's freshly made food, ongoing product innovation and focus on training talented team members have ensured that the Group has continued to stand out in a competitive market, delivering 14% sales growth in the UK in the last year

International markets

Our intention is to continue to focus on opening new shops in the USA and Hong Kong as well as to explore expansion into other territories We opened our first shops in Paris in 2012 and expect to open 4 more shops there in 2013

We operated 13 shops in Hong Kong at the end of the year Historically, our estate has been located in highly westernised areas, but we now have 3 shops in local Cantonese areas, and continue to focus our efforts on adapting our offering to these customers

We grew our USA sales by 31% in 2012 and had 50 USA shops at the end of the year We opened shops in all of our existing cities, as well as our first 2 shops in Boston We continue to seek opportunities to expand our operations further and are aiming to open more shops in 2013 than in any previous year

Directors' Report

For the year ended 3 January 2013

Key Performance Indicators	2012	2011
Total sales growth	17 6%	15 2%
Like for like sales growth	4 4%	6 5%
Gross profit margin	64 9%	64 9%
Mystery shopper score (UK)	92 4%	93 0%
Same shop General Manager tenure (UK – months)	21	20

Key Performance Indicators

The executive management team reviews detailed weekly and monthly information covering a range of financial and non-financial performance indicators, as well as monitoring progress on key strategic projects and business development initiatives The Key Performance Indicators (KPIs) are selected to monitor the performance of the Group and measure the progress of the business towards its strategic goals The KPIs and the Group's performance against these measures are detailed below

Financial KPIs

Total sales growth

Despite the ongoing backdrop of economic uncertainty, the Group achieved a 17 6% (2011 15 2%) growth in sales The sales growth was driven by new shop openings and underlying sales growth

Like for like sales growth

Like for like sales growth measures the increase in sales for all shops which have traded for 53 weeks or more 2012 like for like sales growth across the Group was 4 4% (2011 6 5%)

Gross profit margin

The Group continues to focus on driving profitability from its sales. Gross profit as a percentage of total sales is monitored on a shop-by-shop basis and across the Group as a whole The Gross profit margin remained at 64 9% in 2012

Non-financial KPIs

Performance of new shop openings

The Group continued its investment in expansion during the year, opening 36 new shops 19 in the UK, 11 in the USA, 2 in Hong Kong and 4 in France An investment plan is prepared and approved for each new shop Collectively, the 2012 new shops exceeded their investment plan targets

Mystery shopper

The mystery shopper KPI measures the average mystery shopper score across the UK estate During 2012, the average mystery shopper score was 92 4% (2011· 93 0%)

General Manager tenure

This KPI reflects the importance that Pret places on the stability of shop management The average same shop General Manager tenure in 2012 was 21 months (2011 20 months)

Directors' Report

Principal risks and uncertainties

The Directors recognise that the degree of exposure to certain risks and the Group's ability to manage those risks effectively will influence how successful the business is The Board therefore maintains a risk register which is regularly reviewed

Topics included on the register and/or in the Board calendar for regular review include

People

Pret's greatest asset is our employees It is critical to our success to attract, retain, develop and motivate the best people with the right capabilities at all levels Failure to achieve this would be detrimental to our brand reputation and the service valued by our customers We review our people policies regularly and are committed to investing in training and incentives We have a dedicated recruitment centre attached to head office and our 'Pret Academy' with a suite of tailored courses for the training and development of all our staff

Health and safety

Failure to maintain health and safety standards in food preparation could lead to injuries and impact our brand reputation The health and safety of our team, our customers and our contractors is of primary importance to Pret We aim to ensure that each of the tasks we carry out achieves and maintains the highest standards of health and safety We stringently audit our shops and continually review our systems and procedures to improve the safety, health and wellbeing of all those who come into contact with us

Brand protection

The Pret brand is a key asset Failure to protect the brand through mismanagement of our trademarks could reduce its value The Group owns applications and registrations for the key Pret trademarks in its core and potential territories We employ trademark agents and a watching service in order to identify infringements

Pret is well known for great customer service Failure to maintain the high standards we have set could damage our brand appeal In order to ensure that Pret leads the market in customer service, we run a mystery shopper programme covering all of our shops on a weekly basis The results are monitored on a regular basis by the Board We also have a dedicated customer service department which reports weekly to Board members on customer issues

International business review

The success of our international businesses is integral to our business strategy Ineffective monitoring of our international businesses could restrict their growth potential To address this, detailed international strategic reviews are undertaken by the Board (including Board meetings being held in the USA, Hong Kong and France), as well as the regular monitoring of our international performance

Economic uncertainty

The Directors recognise that economic uncertainty can lead to challenging market conditions The Directors take appropriate action to control costs as well as focusing on maintaining high standards of customer service

Directors' Report

Financial instruments risk management objectives and policies

The Group finances its operations through a mixture of operating profits and, where necessary to fund expansion or capital expenditure programmes, bank borrowings The management's objectives are to

- ★ retain sufficient liquid funds to enable it to meet its day to day obligations as they fall due, whilst maximising returns on surplus funds, and
- ★ match the repayment schedule of any external borrowings or overdrafts with the expected future cash flows expected to arise from the Group's trading activities

The Group's surplus funds are held primarily in short term variable rate deposit accounts The Directors believe that this gives them the flexibility to release cash resources at short notice and also allows them to take advantage of changing conditions in the finance markets as they arise

The main risks associated with the Group's financial assets and liabilities are set out below

Interest rate risk

The Group's borrowings are in fixed and floating interest loans The Group has an interest rate cap to protect against interest rate risk This caps LIBOR at 3 50% for £125,000,000 of the Group's loans until September 2014 Details of the interest rate profile of the Group are provided in notes 17 and 18

Price risk

There is no significant exposure to changes in the carrying value of financial liabilities

Liquidity risk

The Group aims to mitigate liquidity risk by forecasting requirements and managing cash generated by its operations, and ensuring that the Group is able to service debt as it falls due Details of the debt repayment profile are provided in notes 17 and 18

The Group aims to maintain a balance between continuity of funding and flexibility through the use of overdrafts and bank loans

Foreign currency risk

Foreign currency risk on receivable and payable balances is not considered significant as the Group companies sell and purchase mainly in the currency in which they operate

Leverage risk

The Group's borrowings are across bank facilities, loan notes and preference shares Net debt is £483,135,000 (2011 £456,589,000), of which £110,068,000 (2011 £123,904,000) is net bank debt

Debt covenants

Pret's debt instruments carry four covenants Cash Flow Cover, Interest Cover, Leverage and Capital Expenditure

Cash flow cover compares the ratio of Cash Flow to Debt Service Interest cover compares the ratio of Group EBITDA to Net Finance Charges Leverage compares the ratio of Total Net Debt to Group EBITDA The Capital Expenditure covenant measures the Group's capital expenditure limits specified within the Group's financing agreements

All covenants were met during the year, and are projected to be met with significant headroom in 2013 and 2014 The Group monitors covenant headroom closely and includes headroom projections for all covenants within its monthly report to Directors

Directors' Report

Sustainability

Our three year sustainability strategy addresses the key social and environmental challenges facing our business In 2012, we have focused on enhancing momentum on the UK sustainability targets, whilst embedding the global sustainability strategy with targets in the USA and Hong Kong for the first time The Group strategy covers five key dimensions – resources (which includes carbon and water), waste, sustainable sourcing, freshly prepared good natural food, and a positive contribution to society Each element of the strategy is closely monitored against defined targets In 2012, the UK achieved 90% of its sustainability targets, Hong Kong achieved 89% and the USA 75%, giving a Group average of 85%

France had no sustainability targets set in its first year, but 2013 targets have been set

Resources

In the UK, Pret regularly monitors its carbon footprint and aims to be more efficient in the usage of both electricity and water in particular Key achievements in 2012 towards this goal include the completion of a pilot project, which used a small sample of Pret shops to determine potential efficiencies to be made through behavioural change and the use of more efficient equipment Significant savings have been realised through the pilot and key learnings will be rolled out across the estate in 2013 The government's Carbon Reduction Commitment (CRC) came into force in 2012, whereby businesses that emit over a certain amount of carbon have to pay a levy

Work was carried out in 2012 to determine Pret's baseline water usage with a view to identifying opportunities to reduce usage in 2013

Both the USA and Hong Kong completed their first carbon footprint analysis exercises

Waste

During 2012, waste projects were carried out in the UK to reduce the level of packaging, minimise product waste and reduce landfill waste We changed waste supplier, whilst maintaining 100% diversion from landfill in London and achieving over 75% diversion for the rest of the UK Our target is to avoid waste going to landfill entirely by the end of 2015

In the USA, 88% of shops now provide front of house recycling In Hong Kong, work has started to understand the sustainability of packaging lines and the waste process

Sustainable sourcing

Pret's sourcing strategy focuses on high animal welfare and ensuring a sustainable supply chain In the UK, all tuna is pole and line caught, all chicken is 'Higher Welfare' and sourced in the UK and all eggs are UK free-range Higher Welfare pork and bacon were introduced in January 2013

Sustainability audits took place for prawns (Thailand), tea (Sri Lanka), coffee (Peru, Honduras and Ethiopia) and salmon (Scotland) These audits ensure that high environmental and social standards are maintained throughout the supply chain

Freshly prepared good natural food

Pret's sandwiches and salads are prepared on site using fresh, natural ingredients We continue to monitor and improve the nutrition of our food and have increased our vegetarian offer

Directors' Report

Contribution to society

The Pret Foundation Trust continues to expand the scope of its activity in the UK The Pret Charity Run operates LPG vans that deliver over 12,000 fresh meals to numerous shelters in London every week During 2012, Pret donated 2 5 million food products to homeless charities in the UK

For the first time ever the Pret Foundation Trust raised over £1 million - this was achieved through continued strong contributions from the sale of tuna baguettes, Love Bars, Lemon-Aid and our Christmas products In addition, this year our 'Hope for the Homeless' Christmas campaign raised £300,000, with charity boxes in shops raising over £250,000

In 2012, a total of £363,000 was donated by the Pret Foundation Trust to various homeless projects and hostels around the UK

The Simon Hargraves Apprenticeship Scheme, whose goal is to help the homeless and ex-offenders get back into work, recruited 70 apprentices in 2012 66% of the apprentices graduated to full employment after three months The scheme was expanded to the regional cities of Birmingham and Manchester

In 2013, a further 60 apprentices will be taken on in the UK and the foundations laid for the scheme to be set up in the USA

The USA successfully set up a Pret Foundation for the alleviation of poverty, in particular homelessness

In the USA, Hong Kong and France all shops donate their unsold food to those in need

The Pret School Leavers Programme was set up in 2012 with the first intake of nine young people taken on in September Eight remain employed by Pret and are steadily working their way up the career ladder

Directors

The Directors who served during the year were as follows

William Jackson is Chairman of the Group William is the Managing Partner of Bridgepoint and is Chairman of Bridgepoint's Investment Committee He is also Chairman of the Board of Dorna Sports SL, the international sports management and marketing company

Larry Billett is an investment banker with long experience at Salomon Brothers and Societe Generale Larry is also Managing Director of Billett Group, involved in private equity and M&A

Clive Schlee has been Chief Executive since March 2003 Clive has over 20 years experience in the retail food business, with Pret, Itsu and Jardine Matheson, the Hong Kong based multi-national

Nick Candler has been Finance Director since January 2006 Previously he worked at Unilever and Allied Domecq both in the UK and the USA Nick also chairs Project Artworks, a charity helping those with neurological impairments through arts

Sinclair Beecham founded Pret together with Julian Metcalfe Sinclair continues to be a Director of the Company

Vince Gwilliam is a Bridgepoint partner He has worked at Bridgepoint for over 20 years He has been involved in a number of other Bridgepoint consumer portfolio companies including Hobbycraft, Pets At Home, Safestore, Nocibé and Wiggle

Anders Dahlvig joined as non-executive Director in September 2012 Anders worked at IKEA for over 25 years, being CEO and President from 1999 to 2009 He is currently Chairman of The New Wave Group, as well as holding various non-executive Director roles, including Kingfisher plc and Hennes and Mauritz AB

Directors' Report

Our private equity shareholders

Bridgepoint Advisers Limited

Bridgepoint Europe III Private Equity Fund is Pret's majority shareholder and is managed by Bridgepoint Advisers Limited Bridgepoint is a European private equity firm which invests in well managed companies in attractive markets with potential to grow organically or through acquisition William Jackson and Vince Gwilliam are the Bridgepoint executives with oversight of Pret and both serve as Directors of PAM Group Limited

Bridgepoint is fully supportive of our business strategy

Political and charitable contributions

During the year the Pret Foundation Trust raised over £1 million for the homeless charities we support Of this, £784,000 (2011 £615,000) was contributed by the Group, with the remainder coming from customer donations and other fundraising activities There were no contributions to political organisations In 2012, 70 apprenticeships were awarded to young homeless people through the Simon Hargraves Apprenticeship Scheme

Employment

Employees

The Group has a hard working workforce of 7,144 employees 5,896 located in the UK, 896 in the USA, 230 in Hong Kong and 122 in France Our employees represent over 100 different nationalities 50% of our UK employees work part time, ensuring a flexible workforce

Recruitment

Pret is fortunate to have 20 applications for every job vacancy In the UK we fill 65% of our Team Member vacancies within 3 days All new recruits spend several hours in a Pret shop as part of their recruitment process and are selected following a vote by the team members in that shop

During 2012 Pret worked proactively with government recommended agencies and provided jobs for 36 individuals registered as long term unemployed Our School Leaver Programme welcomed nine school leavers to Pret, eight of whom are well on their way to second stage promotions in shops During 2013 we will expand the School Leaver Programme to 20 new joiners

Reward and pay

All permanent employees throughout the Group are eligible for bonus after their first 10 days in the business

Pret operates a Group Personal Pension Plan which is available to its managers and support centre employees From May 2013 pension auto-enrolment will commence, introducing all Pret employees in the UK to a Pret pension

Pret is well on track to meet its August 2013 staging date for Real Time Information (RTI)

Employee survey

The UK and USA businesses conduct an annual employee opinion survey With high response rates, the feedback suggests that our employees are proud to work at Pret and that they would recommend Pret as a place to work (80% in the UK and 90% in the USA) A series of actions have been undertaken in each country as a result of feedback to drive further improvement for 2013

During 2013 the employee opinion survey will run for the first time in Hong Kong and France, ensuring a global view of employee satisfaction

Employee relations

Clear and practical employee relations guidelines, detailed training with opportunity for career progression and a focus on fair treatment are the cornerstones of Pret's employee relations

An active Pret Chat Group in the UK meets twice a year to discuss business issues and concerns with senior Directors and to support decision-making

French policies, contracts and HR processes were created which have passed regular checks by the Labour Inspector During 2013, our French employees will elect their own Works Council, which will meet regularly with senior managers to agree employee initiatives

Directors' Report

Learning and development

Every retail role within the organisation has a training pathway consisting of a workbook, workshops and manager on the job guidance, followed by a formal assessment and graduation The majority of managers within the UK business joined Pret as Team Members During 2011 our Team Leader training became accredited with NVQ level 3 During 2013 Pret will be working to accredit all of its Key Role, School Leaver and Leader pathways

Support centre employees are offered a range of internal and external training initiatives including a Senior Leadership programme

During 2012, 36 people transferred from the UK either permanently or on an assignment to work in international Pret locations This has provided development opportunities for the individuals in question and ensured best practice sharing

Employment of disabled persons

The Group recognises its responsibilities towards disabled persons and gives full and fair consideration to applicants in positions suited to their own particular abilities where appropriate openings exist Where employees become disabled in the course of their employment, every effort is made to provide them with continuing employment

Our US policies were updated during 2012 and approved by the US Equal Rights Center

Trade creditors

The Group does not follow any code or standard on payment practice, but agrees payment terms with its suppliers as part of normal purchasing negotiations Its policy is to settle within the terms where the conditions of supply have been met At 3 January 2013, the average number of days purchases outstanding between the Group and its trade creditors was 35 days (2011 35 days)

Pret recognises the key role of its suppliers in providing the high quality ingredients and products we use every day in our shops We enjoy long term relationships with many of those suppliers and value their contribution to Pret's growth over the years

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Auditors

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

By Order of the Board

C E B Schlee
Director

25 March 2013

Statement of Directors' Responsibilities

Statement of Directors' Responsibilities in respect of the Directors' Report and the Financial Statements

The Directors are responsible for preparing 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 they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

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 group and parent company and of their profit or loss for that year In preparing each of the group and parent company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that the financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities

Independent Auditor's Report to the Members of PAM Group Limited

For the year ended 3 January 2013

Independent Auditor's Report to the Members of PAM Group Limited

We have audited the financial statements of PAM Group Limited for the year ended 3 January 2013, set out on pages 19 to 48 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 Statement of Directors' Responsibilities set out on page 17, 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 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/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements

* give a true and fair view of the state of the group's and of the parent company's affairs as at 3 January 2013 and of the group's loss for the year then ended,
* have been properly prepared in accordance with UK 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
* the parent Company 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

Mark Summerfield (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
United Kingdom

25 March 2013

Consolidated Profit and Loss Account

For the year ended 3 January 2013

	Notes	Before exceptional items and amortisation 2012 £'000	Exceptional items and amortisation (Note 3) 2012 £'000	Total 2012 £'000	Before exceptional items and amortisation 2011 £'000	Exceptional items and amortisation (Note 3) 2011 £'000	Total 2011 £'000
Turnover	2	443,810	-	443,810	377,334	-	377,334
Cost of sales		(155,969)	-	(155,969)	(132,510)	-	(132,510)
Gross profit		287,841	-	287,841	244,824	-	244,824
Distribution costs		(101,108)	-	(101,108)	(86,091)	-	(86,091)
Administrative expenses		(146,860)	(17,473)	(164,333)	(127,778)	(16,374)	(144,152)
Other operating income	4	53	-	53	2,509	-	2,509
Operating profit	4	39,926	(17,473)	22,453	33,464	(16,374)	17,090
Interest receivable and similar income	6	30	-	30	97	-	97
Interest payable and similar charges	7		-				
- Bank loans		*(6,407)*	-	*(6,407)*	*(9,213)*	-	*(9,213)*
- Shareholder liabilities		*(40,078)*	-	*(40,078)*	*(35,784)*	-	*(35,784)*
- Financing fees		*(1,401)*	-	*(1,401)*	*(2,284)*	-	*(2,284)*
- Other		*305*	-	*305*	*(128)*	-	*(128)*
Total interest payable and similar charges	7	(47,581)	-	(47,581)	(47,409)	-	(47,409)
Loss before taxation	2	(7,625)	(17,473)	(25,098)	(13,848)	(16,374)	(30,222)
Corporation tax	8	(7,511)	-	(7,511)	(3,332)	-	(3,332)
Loss for the year	22	(15,136)	(17,473)	(32,609)	(17,180)	(16,374)	(33,554)

All amounts in the profit and loss account relate to continuing operations
There is no difference between historical cost profit and losses for the year and those shown above

The notes on pages 24 to 48 form part of these financial statements

Consolidated Statement of Total Recognised Gains and Losses

For the year ended 3 January 2013

	Notes	2012 £'000	2011 £'000
Loss for the financial year attributable to shareholders	21	(32,609)	(33,554)
Exchange loss	21	(1,223)	(171)
Total recognised losses for the year		(33,832)	(33,725)

The notes on pages 24 to 48 form part of these financial statements

PAM Group Limited Company number 06458900

Consolidated Balance Sheet

At 3 January 2013

	Notes	2012 £'000	2012 £'000	2011 £'000	2011 £'000
Fixed assets					
Intangible assets	10		250,927		267,211
Tangible assets	11		101,347		85,692
			352,274		352,903
Current assets					
Stock	13	1,576		1,664	
Debtors	14	13,875		11,626	
Cash at bank and in hand		31,070		22,137	
		46,521		35,427	
Creditors amounts falling due within one year	15	(72,333)		(62,042)	
Net current liabilities			(25,812)		(26,615)
Total assets less current liabilities			326,462		326,288
Creditors. amounts falling due after more than one year	16		(501,605)		(466,726)
Provisions for liabilities	19		(2,974)		(3,847)
Net liabilities			(178,117)		(144,285)
Capital and reserves					
Called up share capital	20		200		200
Share premium	21		1,775		1,775
Foreign exchange reserve	21		(2,141)		(918)
Profit and loss account	21		(177,951)		(145,342)
Shareholders' deficit	22		(178,117)		(144,285)

These financial statements were approved on 25 March 2013 on behalf of the Board by

N J Candler
C E B Schlee
Directors

The notes on pages 24 to 48 form part of these financial statements

PAM Group Limited

Company number 06458900

Company Balance Sheet

At 3 January 2013

	Notes	2012 £'000	2011 £'000
Fixed assets			
Investments	12	61,592	61,592
Debtors amounts falling due within one year	14	5	5
Debtors amounts falling due after one year	14	19,194	19,194
Total assets		80,791	80,791
Creditors amounts falling due after more than one year	16	(135,204)	(120,718)
Net liabilities		(54,413)	(39,927)
Capital and reserves			
Called up share capital	20	200	200
Share premium account	21	1,775	1,775
Profit and loss account	21	(56,388)	(41,902)
Shareholders' deficit	22	(54,413)	(39,927)

These financial statements were approved on 25 March 2013 on behalf of the Board by

N J Candler
C E B Schlee
Directors

The notes on pages 24 to 48 form part of these financial statements

Consolidated Cash Flow Statement

For the year ended 3 January 2013

	Notes	2012 £'000	2011 £'000
Net cash inflow from operating activities	23	64,142	54,982
Returns on investments and servicing of finance	24	(6,821)	(8,809)
Taxation	24	(4,788)	(2,714)
Capital expenditure and financial investment	24	(37,600)	(29,724)
Cash inflow before financing		14,933	13,735
Financing	24	(6,000)	(29,476)
Increase/(decrease) in cash in the year	25	8,933	(15,741)

Reconciliation of net cash flow to movement in net debt

	Notes	2012 £'000	2011 £'000
Increase/(decrease) in cash in the year	25	8,933	(15,741)
Net cash outflow from changes in debt	25	6,000	28,966
Non-cash changes to net debt	25	(41,479)	(38,619)
Movement in net debt in the year		(26,546)	(25,394)
Net debt at start of year	25	(456,589)	(431,195)
Net debt at end of year	25	(483,135)	(456,589)

The notes on pages 24 to 48 form part of these financial statements

Notes to the Financial Statements

1. Accounting policies

Accounting convention

The financial statements have been prepared under the historical cost convention in accordance with applicable UK Accounting Standards and comply with the requirements of the Companies Act 2006

The Group takes advantage of Section 390 of the Companies Act 2006 and prepares financial statements to the nearest Thursday to the financial year end without changing its 31 December accounting reference date. The 2012 financial statements have been drawn up for the 53 weeks ended 3 January 2013 (2011 52 weeks ended 29 December 2011)

All other accounting policies applied are consistent with those adopted in the previous financial year

Basis of preparation

At 3 January 2013 the Group had net liabilities of £178,117,000 (2011 £144,285,000) The Group is able to generate sufficient cash to meet its day-to-day working capital requirements and fund capital expansion, supplemented by other available financing facilities

The financial statements have been prepared on a going concern basis which assumes that the Group will continue in operational existence for the foreseeable future The validity of this assumption depends on the continuing support of the Group's bankers On the basis that the existing loan facilities do not expire until between 2015 and 2017 (note 17), it is the Directors' opinion that the financial statements should be prepared on a going concern basis

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings using the acquisition method The results of subsidiary undertakings are included in the Group financial statements from their effective date of acquisition

The Company is exempt from the requirement to present its own profit and loss account under the provisions of Section 408 of the Companies Act 2006

Turnover

Turnover represents the amount of goods sold less returns and allowances, excluding Value Added Tax

Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions is capitalised and stated at cost less accumulated amortisation and any impairment in value Goodwill is amortised on a straight-line basis over its estimated useful life up to a maximum of 20 years

Impairment tests on the carrying value of goodwill are undertaken in accordance with FRS 11 'Impairment of fixed assets and goodwill' as follows

★ at the end of the first full year following acquisition, and

★ annually if events or changes in circumstances indicate that the carrying value may not be recoverable

Other intangible assets

Other intangible assets relate to key money premiums paid to acquire leases in France It is expected that these premiums would be recovered upon exit of the lease and therefore represent future economic benefits A useful economic life of 20 years and a residual value equivalent to the initial payment have been assumed The carrying value of intangible assets is reviewed for impairment annually if events or changes in circumstances indicate that the carrying value may not be recoverable

Notes to the Financial Statements

1. Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange at the date of the transaction Monetary assets and liabilities denominated in foreign currencies which are included in the balance sheet are translated at the rates of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account Results denominated in foreign currencies are translated into sterling using average rates of exchange Differences arising from the translation of the opening balance sheets and the use of average rates of exchange are taken directly to reserves

Stock

Stock is stated at the lower of cost and net realisable value Cost represents the purchase price of raw materials

Purchasing rebates and other amounts received from suppliers

Rebates and other amounts received from suppliers are treated as a deduction from the related operating costs or costs of assets acquired

Tangible fixed assets and depreciation

The cost of tangible fixed assets is their purchase cost together with any incidental costs of acquisition

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets over their expected useful lives The principal annual rates and methods used are

Short leasehold land and buildings	over the period of the lease
Fixtures and fittings	17-33% straight line
Motor vehicles	25% reducing balance
Computer equipment	20-33% straight line

Progress payments for assets in the course of construction are allocated to short leasehold land and buildings and fixtures and fittings in ratios derived from similar projects completed in the preceding months The ratios are reviewed annually

Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment If any such indication exists, the asset's recoverable amount is estimated An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount The recoverable amount of assets is the greater of their net selling price and value in use

In assessing value in use, the present value of the estimated future cash flows of each income generating unit were calculated using a pre-tax discount rate of 7 33% (2011 7 25%) Cash flows have been projected over a period of 15 years, using 2 4% (2011 2 4%) as the long-term growth rate An impairment loss is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised

Leases

All leases held are operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term, even if payments are not made on such a basis Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the shorter of the lease term and the date of the next rent review

Notes to the Financial Statements

1. Accounting policies (continued)

Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation to pay more or less tax when they crystallise based on current tax rates and law Timing differences arise from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in financial statements Deferred tax is not provided on timing differences arising from unremitted earnings of subsidiaries where there is no commitment to remit these earnings

Deferred tax assets are recognised to the extent that it is regarded as more likely than not they will result in a reduction in tax payable in the foreseeable future

Financial instruments

Premiums, discounts and front end fees on financial assets and liabilities are amortised through the profit and loss account over the life of the related asset or liability

In accordance with FRS 25 'Financial Instruments', financial instruments issued by the Company or Group are treated as equity (i e forming part of shareholders' funds) only to the extent that they meet the following two conditions

★ they include no contractual obligations upon the Company or Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company or Group, and

★ where the instrument will or may be settled in the Company or Group's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Group's own equity instruments or is a derivative that will be settled by the Group exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account excludes amounts in relation to those shares

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges

Fixed asset investments

Fixed asset investments are stated at cost less any provision for impairment in value

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand

Preference shares

Under the provisions of FRS 25 'Financial Instruments', the Company's preference shares qualify to be treated as liabilities Fixed or profit related dividends payable on shares classed as liabilities are charged to interest payable and similar charges

Share-based incentives

In accordance with FRS 20 'Share-based payment' the fair value of equity-settled share-based payments to employees are determined at the date of grant and expensed on a straight line basis over the vesting period Further details are set out in note 26

Notes to the Financial Statements

For the year ended 3 January 2013

2. Segmental analysis

Analyses of turnover, profit/(loss) on ordinary activities before taxation and net assets/(liabilities) by geographical origin are stated below

Group	Turnover 2012 £'000	Profit/(loss) on ordinary activities before taxation 2012 £'000	Net assets/(liabilities) 2012 £'000	Turnover 2011 £'000	Profit/(loss) on ordinary activities before taxation 2011 £'000	Net assets/(liabilities) 2011 £'000
United Kingdom	360,015	40,883	69,811	316,926	34,772	54,467
USA	63,587	(1,255)	(8,879)	48,459	(1,613)	(5,633)
Hong Kong	14,989	1,659	(2,128)	11,949	1,244	(1,593)
France	5,219	(1,361)	(3,292)	-	(939)	(817)
Group total	443,810	39,926	55,512	377,334	33,464	46,424
Exceptional items (note 3)		(1,099)	-		-	-
Goodwill amortisation and goodwill		(16,374)	249,506		(16,374)	265,880
Net interest and net debt		(47,551)	(483,135)		(47,312)	(456,589)
		(25,098)	(178,117)		(30,222)	(144,285)

The class of business for all operations is the retailing of food and drink Destination and origin of turnover are the same

3. Exceptional items and goodwill amortisation

	2012 £'000	2011 £'000
Administrative expenses		
US legal costs	1,099	-
Goodwill amortisation (note 10)	16,374	16,374
	17,473	16,374

4. Operating profit

The operating profit is stated after charging

Group	2012 £'000	2011 £'000
Depreciation	20,582	18,194
Goodwill amortisation	16,374	16,374
Operating lease rentals – land and buildings	50,083	41,299
Loss on disposal of fixed assets	814	699
Other operating income	(53)	(2,509)

Other operating income comprises £53,000 relating to franchise income In the prior year, other operating income of £2,509,000 related to franchise income and compensation received for exiting property leases

Auditor's remuneration

The following fees for audit and non-audit services were paid/payable to KPMG LLP for the year ended 3 January 2013

	2012 £'000	2011 £'000
Fees payable to the company's auditor for the audit of the company's annual accounts	24	24
Fees payable to the company's auditor and its associates for other services		
The audit of company's subsidiaries, pursuant to legislation	72	72
Audit-related assurance services	10	13
Tax compliance services	180	69
Tax advisory services	75	-
	361	178

Notes to the Financial Statements

For the year ended 3 January 2013

5. Directors and employees

Staff costs during the year were as follows

	2012 £'000	2011 £'000
Wages and salaries	108,221	93,321
Social security costs	8,317	7,310
	116,538	100,631

	2012 £'000	2011 £'000
Directors' emoluments consist of.		
Remuneration for management services	1,026	1,609
	1,026	1,609
Highest paid Director		
Remuneration for management services	425	695
	425	695

The average monthly number of employees, including Directors, during the year was as follows

	2012 Number	2011 Number
Management	760	508
Sales and distribution	6,384	5,643
	7,144	6,151

6. Interest receivable and similar income

	Group 2012 £'000	Group 2011 £'000
Interest on bank deposits	30	97
	30	97

7. Interest payable and similar charges

		Group 2012 £'000		Group 2011 £'000
Interest on bank loans		6,407		9,213
Interest on shareholder liabilities (note 18)				
Loan note interest	25,592		22,850	
Redeemable preference share dividends	14,486		12,934	
		40,078		35,784
Amortisation of bank debt financing fees (note 17)		1,097		1,979
Amortisation of shareholder liabilities financing fees (note 18)		304		305
Other interest and similar charges		(305)		128
		47,581		47,409

8. Taxation

a) Tax on ordinary activities

	Group 2012 £'000	Group 2011 £'000
UK corporation tax – current year at 24 5% (2011 26 5%)	7,748	2,114
Foreign tax	8	10
Under/(over) provision of UK Corporation tax in prior years	940	(189)
Total current tax	8,696	1,935
Deferred tax (note 19)	(1,185)	1,397
Total tax charge	7,511	3,332

b) Factors affecting the current tax charge

The effective rate of tax for the year differs to the standard rate of UK corporation tax of 24 5% (2011 26 5%) as explained below

	Group 2012 £'000	Group 2011 £'000
Loss on ordinary activities before taxation	(25,098)	(30,222)
	(25,098)	(30,222)
Loss on ordinary activities at standard rate of UK tax	(6,149)	(8,009)
Income not assessable for tax purposes	(70)	(69)
Expenses not deductible for tax purposes	5,504	4,730
Capital allowances lower than depreciation	684	170
Goodwill amortisation	4,005	4,339
Redeemable preference share dividends	3,549	3,428
Other timing differences	55	(2,110)
Losses not recognised	333	-
Utilisation of prior year losses	(163)	(365)
UK corporation tax	7,748	2,114

Notes to the Financial Statements

8. Taxation (continued)

c) Factors affecting the future tax charges

The UK corporation tax charge for the year is different to the standard rate of UK corporation tax principally due to the fact that goodwill amortisation and redeemable preference share dividends are not deductible for tax purposes In addition, there are losses in various financing companies which cannot be used

The Finance Bill 2012 on 21 March 2012 announced that the UK corporation tax rate would be 24% from 1 April 2012 This was enacted on 17 July 2012 and was effective from 1 April 2012 A further 1% reduction to 23% effective from 1 April 2013 was enacted on the same date

The Chancellor's Autumn Statement on 5 December 2012 announced a further 2% reduction to 21% effective from 1 April 2014 This is expected to be included in the 2013 Budget and has not been substantively enacted as of the date of signing of these accounts

9. Profit attributable to the Company

The parent company generated a loss for the financial year of £14,486,000 (2011 loss of £12,935,000) As permitted by Section 234 of the Companies Act 2006, no separate profit and loss account is presented in respect of the parent company

10. Intangible assets

Group	Goodwill £'000	Other £'000	Total £'000
Cost			
At 30 December 2011	327,275	1,331	328,606
Additions	-	130	130
Exchange differences	-	(40)	(40)
At 3 January 2013	327,275	1,421	328,696
Amortisation			
At 30 December 2011	61,395	-	61,395
Charge for the year	16,374	-	16,374
At 3 January 2013	77,769	-	77,769
Net book value			
At 3 January 2013	249,506	1,421	250,927
At 30 December 2011	265,880	1,331	267,211

Other intangible assets relate to Key Money premiums paid to acquire leases in France It is expected that these premiums would be recovered upon exit of the lease and therefore represent future economic benefits A useful economic life of 20 years and a residual value equivalent to the initial payment have been assumed The carrying value of intangible assets is reviewed for impairment annually if events or changes in circumstances indicate that the carrying value may not be recoverable

11. Tangible assets

Group	Short leasehold land and buildings £'000	Fixtures and fittings £'000	Motor vehicles £'000	Computer equipment £'000	Total £'000
Cost					
At 30 December 2011	80,770	48,643	96	7,928	137,437
Additions	22,069	13,693	-	2,054	37,816
Disposals	(1,607)	(741)	-	(36)	(2,384)
Exchange difference	(718)	(557)	-	(97)	(1,372)
At 3 January 2013	100,514	61,038	96	9,849	171,497
Depreciation					
At 30 December 2011	26,764	20,502	93	4,386	51,745
Charge for the year	9,972	8,763	1	1,846	20,582
Disposals	(1,073)	(465)	-	(32)	(1,570)
Exchange difference	(268)	(278)	-	(61)	(607)
At 3 January 2013	35,395	28,522	94	6,139	70,150
Net book value					
At 3 January 2013	65,119	32,516	2	3,710	101,347
At 30 December 2011	54,006	28,141	3	3,542	85,692

The Group reviews its assets for indicators of impairment as described in the impairment accounting policy (note 1) No impairment charge was recognised in 2012 (2011 £Nil)

Notes to the Financial Statements

12. Fixed asset investments

Company	Shares in subsidiary undertakings £'000
Cost and net book value	
At 30 December 2011 and 3 January 2013	61,592

The Company and the Group have investments in the following principal subsidiary undertakings

Name	Class of share	Proportion held	Country of incorporation	Nature of business
Subsidiary undertakings				
PAM Subco Limited	Ordinary	100%	England	Holding company
PAM Acquisitionco Limited*	Ordinary	100%	England	Holding company
75B Victoria Limited*	Ordinary	100%	Jersey	Holding company
Prochaine Limited*	Ordinary	100%	England	Holding company
Pret A Manger Holdings Limited*	Ordinary	100%	England	Holding company
Pret A Manger (Europe) Limited*	Ordinary	100%	England	Retail of food and drink
Pret A Manger (USA) Limited*	Ordinary	100%	England	Retail of food and drink
Pret A Manger (Hong Kong) Limited*	Ordinary	100%	England	Retail of food and drink
Pret (France) SAS*	Ordinary	100%	France	Retail of food and drink

*indirectly held

Notes to the Financial Statements

13. Stock

	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Raw materials	1,576	-	1,664	-
	1,576	-	1,664	-

14. Debtors

	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Amounts falling due within one year				
Trade debtors	829	-	1,140	-
Other debtors	1,782	5	2,905	5
Prepayments	11,264	-	7,581	-
	13,875	5	11,626	5
Amounts falling due after more than one year				
Amounts owed by Group undertakings	-	19,194	-	19,194
	-	19,194	-	19,194

Notes to the Financial Statements

For the year ended 3 January 2013

15. Creditors: amounts falling due within one year

	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Bank loans	12,600	-	12,000	-
Trade creditors	17,527	-	12,721	-
Corporation tax	5,498	-	1,590	-
Other taxes and social security	6,985	-	5,354	-
Other creditors	475	-	204	-
Accrued interest	81	-	525	-
Accruals	29,167	-	29,648	-
	72,333	-	62,042	-

For details of bank loans included within creditors please refer to note 17

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

	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Redeemable preference shares	135,204	135,204	120,718	120,718
Unsecured loan notes	237,863	-	211,967	-
Bank loans	128,538	-	134,041	-
	501,605	135,204	466,726	120,718

For details of bank loans included within creditors please refer to note 17, and for details of redeemable preference shares and unsecured loan notes (shareholder liabilities) please refer to note 18

17. Bank loans

Bank loans repayable, included within creditors are analysed as follows

	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Total borrowings				
Within one year	12,600	-	12,000	-
Between two and five years	131,600	-	88,200	-
After five years	-	-	50,000	-
	144,200	-	150,200	-

Details of bank loans are as follows

Group	Nominal interest rate	Year of final maturity	2012 £'000	2011 £'000
Senior facility A	LIBOR + 2 50 – 3 25%	2015	17,700	23,700
Senior facility B	LIBOR + 3 25 – 3 75%	2016	50,000	50,000
Senior facility C	LIBOR + 4 25%	2017	50,000	50,000
Capex facility	LIBOR + 2 50 – 3 25%	2016	20,500	20,500
Mezzanine facility	LIBOR + 4 50% (Cash) and 5 50% (PIK)	-	-	-
Revolving credit facility	LIBOR + 2 50 – 3 25%	-	6,000	6,000
Bank loans			144,200	150,200
Capitalised financing fees			(3,062)	(4,159)
Net bank loans			141,138	146,041

During the year the Group drew down £Nil (2011 £12,000,000) of the capex facility and £Nil (2011 £6,000,000) of the revolving credit facility Senior facility instalment repayments of £6,000,000 (2011 £5,233,000) were made during the year The Mezzanine facility was fully repaid during the prior year Mezzanine Payment in Kind ('PIK') interest of £Nil (2011 £1,072,000) was capitalised during the year

Notes to the Financial Statements

17. Bank loans (continued)

During the year the Group capitalised £Nil (2011 £521,000) of costs associated with the establishment of debt facilities, which are being amortised over the life of the associated debt Net capitalised financing fees of £3,062,000 (2011 £4,159,000) are shown after amortisation of £1,097,000 (2011 £1,979,000) (note 7) Capitalised financing fees are being amortised over the life of the associated debt £851,000 of the prior year amortisation charge related to previously capitalised Mezzanine financing fees released on repayment of the Mezzanine debt

The Revolving credit facility is drawn for periods of less than one year, then redrawn or repaid upon maturity at the end of the chosen period

The Group purchased an interest rate cap on 16 September 2011 LIBOR will be capped at 3 50% for £125,000,000 of the Group's loans for a 36 month period

The Group's bank loans are secured by cross guarantees and debentures given by PAM Group Limited, PAM Subco Limited, PAM Acquisitionco Limited, 75B Victoria Limited, Prochaine Limited, Pret A Manger Holdings Limited, Pret A Manger (Europe) Limited, Pret A Manger (Hong Kong) Limited and Pret A Manger (USA) Limited The debentures comprise a legal charge over substantially all of the Group's assets, including a charge over shares, fixed assets, property, receivables, insurance policies, certain contracts and claims, intellectual property and bank accounts At 3 January 2013, borrowings covered by the guarantee amounted to £144,200,000 (2011 £150,200,000)

18. Shareholder liabilities

Shareholder liabilities repayable, included within creditors are analysed as follows

	Group 2012 £'000	Company 2012 £'000	Group 2011 £'000	Company 2011 £'000
Total shareholders' liabilities				
After five years				
Loan notes	237,863	-	211,967	-
Redeemable preference shares	135,204	135,204	120,718	120,718
	373,067	135,204	332,685	120,718

18. Shareholder liabilities (continued)

Amounts shown as Redeemable Preference Shares reconcile to the called up preference share capital set out in note 20 as follows

Group and Company	2012 £'000	2012 £'000	2011 £'000	2011 £'000
Redeemable preference shares		78,817		78,817
Accrued preference share dividends				
At start of year	41,901		28,967	
Preference share dividends	14,486		12,934	
At end of year		56,387		41,901
		135,204		120,718

The Redeemable Preference Shares were issued on 3 April 2008 These shares carry an entitlement to a cumulative preferential dividend at the annual rate of 12% of the issue price per share which accrues on a daily basis from the date of the issue, compounds annually on 28 February and is payable on a Sale, Quotation (both as defined in the Articles of Association of the Company) or liquidation The Redeemable Preference Shares carry no voting rights

Group	2012 £'000	2011 £'000
Gross loan notes	238,863	213,271
Capitalised financing fees	(1,000)	(1,304)
Net loan notes	237,863	211,967

Four series of unsecured subordinated redeemable loan notes were issued on 3 April 2008 (Series A, B1, B2, and B3) Each series of loan notes carries an entitlement to interest of 12% compounded annually on 28 February from the date of issue payable on a Sale, Quotation or liquidation Rather than pay or compound interest on 28 February in each year, the Company may issue to the holders of the Series A and Series B loan notes payment in kind notes ('PIK Notes') in full or partial satisfaction of any interest that has accrued up to that date (such PIK Notes having the same terms, including as to interest, as the Series A and Series B loan notes themselves) On 13 December 2012, £8,205,207 (2011 £13,527,713) of Series A accrued interest and £2,354,404 (2011 £4,375,888) of Series B accrued interest was paid by issuing PIK notes The PIK notes were listed on the Channel Islands Stock Exchange on 17 December 2012

Series A, B1 and B2 loan notes were listed on the Channel Islands Stock Exchange on 7 July 2009

The Group's net capitalised financing fees of £1,000,000 (2011 £1,304,000) are shown after amortisation of £304,000 (2011 £305,000) (note 7). Capitalised financing fees are being amortised over the life of the associated debt

Notes to the Financial Statements

For the year ended 3 January 2013

19. Provisions

Provided	Onerous Leases £'000	Legal Provision £'000	Deferred Tax £'000	Total £'000
Group				
At 30 December 2011	1,771	-	2,076	3,847
Created during the year	-	1,099	-	1,099
Exchange differences	-	(10)	(12)	(22)
Utilised during the year	(246)	(519)	(1,185)	(1,950)
At 3 January 2013	1,525	570	879	2,974

Onerous leases relate to property leases where the committed costs under the contract exceed the economic benefits expected to be received under it The legal provision is in respect of future legal claims and associated costs

Deferred taxation provided and unprovided in the financial statements is calculated at a rate of 23% (2011 26%) and is set out below

Provided	Deferred Tax 2012 £'000	Deferred Tax 2011 £'000
Accelerated capital allowances	879	2,076
Deferred tax liability	879	2,076

Unprovided	Deferred Tax 2012 £'000	Deferred Tax 2011 £'000
Trading losses	-	152
Deferred tax asset	-	152

Notes to the Financial Statements

20. Share capital

Issued, called up and fully paid	2012 £	2011 £
1,925,000 (2011 1,925,000) A Ordinary Shares of £0 01 each	19,250	19,250
16,800,000 (2011 16,800,000) B Ordinary Shares of £0 01 each	168,000	168,000
1,000,000 (2011 1,000,000) C Ordinary Shares of £0 01 each	10,000	10,000
196,266 (2011 187,716) D Ordinary Shares of £0 01 each	1,963	1,877
100 (2011 100) E Ordinary Shares of £0 01 each	1	1
40,000 (2011 Nil) F Ordinary Shares of £0 01 each	400	-
58,173 (2011 47,823) Deferred Shares of £0 01 each	582	478
Total Ordinary Shares	200,196	199,606
78,816,617 (2011 78,816,617) Redeemable Preference Shares of £0 01 each (note 18)	788,166	788,166
	988,362	987,772

20. Share capital (continued)

Amounts presented in equity	2012 £	2011 £
1,925,000 (2011 1,925,000) A Ordinary Shares of £0 01 each	19,250	19,250
16,800,000 (2011 16,800,000) B Ordinary Shares of £0 01 each	168,000	168,000
1,000,000 (2011 1,000,000) C Ordinary Shares of £0 01 each	10,000	10,000
196,266 (2011 187,716) D Ordinary Shares of £0 01 each	1,963	1,877
100 (2011 100) E Ordinary Shares of £0 01 each	1	1
40,000 (2011 Nil) F Ordinary Shares of £0 01 each	400	-
58,173 (2011 47,823) Deferred Shares of £0 01 each	582	478
	200,196	199,606

Amounts presented in liabilities	2012 £	2011 £
78,816,617 (2011 78,816,617) Redeemable Preference Shares of £0 01 each, issued for £1	78,816,617	78,816,617
	78,816,617	78,816,617

Subject to, inter alia, the payment in full of any dividends that have accrued on the Redeemable Preference Shares, the holders of A, B, C and D Ordinary Shares have varying entitlements to receive dividends as declared by the Company from time to time The E and F Ordinary Shares have no entitlement to any dividend Save on the occurrence of a Default Event (as defined in the Articles of Association of the Company), (i) holders of A, B and C Ordinary Shares are entitled to one vote per share and, (ii) holders of D Ordinary Shares have such number of votes for each D Ordinary Share held by them as will entitle them together to have, in aggregate, 1% of the total number of votes capable of being cast by the holders of A, B, C and D Ordinary Shares The E and F Ordinary Shares carry the right to receive notice of general meetings of the Company but not the right to attend or vote at them

During the year the Company issued 58,900 £0 01 Ordinary Shares (40,000 F Ordinary Shares and 18,900 D Ordinary Shares) for an aggregate consideration of £400 In 2011 the Company issued 123,625 £0 01 Ordinary Shares (100,000 A Ordinary Shares, 23,625 D Ordinary Shares) for an aggregate consideration of £11,000 10,350 D Shares became Deferred Shares in 2012 (2011 17,100)

21. Reserves

	Foreign exchange reserve £'000	Share premium account £'000	Profit and loss account £'000
Group			
At 30 December 2011	(918)	1,775	(145,342)
Loss for the financial year	-	-	(32,609)
Exchange loss	(1,223)	-	-
At 3 January 2013	(2,141)	1,775	(177,951)
Company			
At 30 December 2011	-	1,775	(41,902)
Loss for the financial year	-	-	(14,486)
At 3 January 2013	-	1,775	(56,388)

Notes to the Financial Statements

For the year ended 3 January 2013

22. Reconciliation of movement in shareholders' funds

	Group 2012 £'000	Company 2012 £'000
Loss for the financial year	(32,609)	(14,486)
Exchange loss	(1,223)	-
Increase in shareholders' deficit	(33,832)	(14,486)
Shareholders' deficit at start of year	(144,285)	(39,927)
Shareholders' deficit at end of year	(178,117)	(54,413)

23. Reconciliation of operating profit to net cash inflow from operating activities

	Group 2012 £'000	Group 2011 £'000
Operating profit	22,453	17,090
Amortisation of goodwill	16,374	16,374
Depreciation	20,582	18,194
Loss on disposal of fixed assets	814	699
Foreign exchange translation differences	(114)	18
Decrease/(increase) in stock	88	(322)
Increase in debtors	(2,249)	(1,085)
Increase in creditors	6,194	4,014
Net cash inflow from operating activities	64,142	54,982

Notes to the Financial Statements

For the year ended 3 January 2013

24. Gross cash flows

	Group 2012 £'000	Group 2011 £'000
Returns on investments and servicing of finance		
Interest received	30	97
Interest paid	(6,851)	(8,906)
Net cash outflow	(6,821)	(8,809)
Taxation		
Corporation tax paid	(4,788)	(2,714)
Net cash outflow	(4,788)	(2,714)
Capital expenditure and financial investment		
Purchase of intangible fixed assets	(130)	(1,386)
Purchase of tangible fixed assets	(37,470)	(28,338)
Net cash outflow	(37,600)	(29,724)
Financing		
Issue of ordinary share capital	-	11
Repayment of loan	(6,000)	(46,966)
Increase in short term borrowings	-	6,000
Increase in long term borrowings	-	12,000
Payment of financing related fees	-	(521)
Net cash outflow	(6,000)	(29,476)

25. Analysis of changes in net debt

Group	At 30 December 2011 £'000	Cash flow impact on net debt £'000	Non-cash movements £'000	At 3 January 2013 £'000
Cash at bank and in hand	22,137	8,933	-	31,070
	22,137	8,933	-	31,070
Debt due within one year	(12,000)	6,000	(6,600)	(12,600)
Debt due after one year	(134,041)	-	5,503	(128,538)
	(146,041)	6,000	(1,097)	(141,138)
Net external debt	(123,904)	14,933	(1,097)	(110,068)
Redeemable preference shares	(120,718)	-	(14,486)	(135,204)
Unsecured loan notes	(211,967)	-	(25,896)	(237,863)
	(332,685)	-	(40,382)	(373,067)
Net debt	(456,589)	14,933	(41,479)	(483,135)

26. Employee share scheme

The Company operates the 'Partners in Pret' share scheme through which shares are awarded to key employees Each partner is awarded PAM Group Limited D Ordinary Shares of £0 01 each, and these shares are administered through an Employee Benefit Trust ('EBT'), which acts as the nominee on behalf of the partners

During the year 18,900 (2011 23,625) shares were awarded to the Partners in Pret scheme Shares awarded are subject to vesting conditions based on length of service and shares are exercisable once the share hurdle of 10 pence (2011 10 pence) per share has been achieved

A reconciliation of the change in the number of shares is as follows

Group	2012 Number	2011 Number
Outstanding at the start of the year	187,716	181,191
Granted during the year	18,900	23,625
Forfeited during the year	(10,350)	(17,100)
Outstanding at the end of the year	196,266	187,716

Notes to the Financial Statements

26. Employee share scheme (continued)

The total expenses recognised for the year arising from share based payments are as follows

Group Expense	2012 £'000	2011 £'000
Equity settled share based payments	-	-
Shares granted to key employees	-	-
Total expense	-	-

27. Operating lease commitments

Financial commitments under non-cancellable operating leases will result in the following payments due in the next financial year

Group	Land and buildings 2012 £'000	Land and buildings 2011 £'000
Expiring		
Within one year	4,346	4,380
Within two to five years	13,022	11,584
After five years	30,285	25,810
	47,653	41,774

Company

The Company has no operating lease commitments at 3 January 2013 (2011 £Nil)

28. Capital commitments

Group	Land and buildings 2012 £'000	Land and buildings 2011 £'000
Contracted for but not provided	2,558	4,589

Notes to the Financial Statements

29. Control

The Company is majority owned by the Bridgepoint Europe III Private Equity Fund, which is in turn managed by Bridgepoint Advisers Limited, a company incorporated in England

Pret's founders and our previous chairman, Larry Billett, have 19%, whilst the executive members of the management team have 16% The 'C' shares currently represent 5% of the economic and voting rights in the Company In certain circumstances, provisions in the Articles of Association of the Company operate such that the 'C' shares come to represent a higher percentage of these rights (subject to a maximum of 15%) The economic dilution resulting from such increase is borne by the holders of 'B' shares

30. Related party transactions

The Company has taken advantage of the exemption available in FRS 8 'Related party disclosures' not to disclose transactions with entities which are part of the Group

During the year, the Group made sales totalling £64,000 (2011: £107,000) to Willow Street Hotel Limited, a company of which S C S Beecham is a Director and significant shareholder At the year end Willow Street Hotel Limited owed £Nil (2011 £8,000)

During the year the Group made sales totalling £34,000 (2011 £33,000) to Bridgepoint Advisers Limited, the ultimate controlling company At the year end Bridgepoint Advisers Limited owed £3,000 (2011· £1,000) Monitoring fees of £150,000 (2011 £150,000) and expenses of £47,000 (2011 £54,000) were paid to Bridgepoint Advisers Limited

31. Contingent liabilities

The Group's bank loans are secured by cross guarantees and debentures given by PAM Group Limited, PAM Subco Limited, PAM Acquisitionco Limited, 75B Victoria Limited, Prochaine Limited, Pret A Manger Holdings Limited, Pret A Manger (Europe) Limited, Pret A Manger (Hong Kong) Limited and Pret A Manger (USA) Limited The debentures comprise a legal charge over substantially all of the Group's assets, including a charge over shares, fixed assets, property, receivables, insurance policies, certain contracts and claims, intellectual property and bank accounts At 3 January 2013, borrowings covered by the guarantee amounted to £144,200,000 (2011 £150,200,000) (note 17)

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