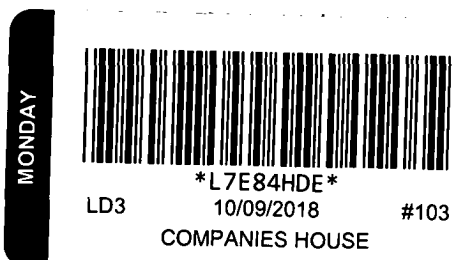


PAM Group Limited

Annual Report and Financial Statements

52 Weeks Ended 28th December 2017

Company number 06458900



It all began in London in 1986...

Fed up with all the junk and processed food on the market, Julian Metcalfe and Sinclair Beecham started Pret A Manger to make the food they craved but couldn't find.

We've been creating fresh, handmade food with freshly prepared ingredients for over 30 years. In that time, we've grown to over 500 shops in 7 markets around the world, serving more than 520,000 customers every day.

We invest in the ingredients that matter – people, service, food, drink and our local community.

It's all delivered throughout the world in brilliantly operated, beautiful shops.

Contents

| | |
|--|----|
| Group Strategic Report | 4 |
| Directors' Report | 14 |
| Statement of Directors' Responsibilities | 19 |
| Independent Auditor's Report | 20 |
| Consolidated Income Statement | 22 |
| Consolidated Statement of Comprehensive Income or Loss | 23 |
| Consolidated Statement of Financial Position | 24 |
| Consolidated Statement of Changes in Equity | 25 |
| Consolidated Cash Flow Statement | 26 |
| Notes to the Consolidated Financial Statements | 27 |
| Company Balance Sheet | 61 |
| Company Statement of Changes in Equity | 62 |
| Notes to the Company Financial Statements | 63 |

Group Strategic Report

A potted history of Pret:

1986 – FRIENDS WITH A MISSION – College friends Julian Metcalfe and Sinclair Beecham were sick of processed food and impersonal service so they opened the very first Pret A Manger in 75B Victoria Street. It promised simple, delicious food served by friendly, motivated staff.

1990 – ONE SHOP AT A TIME – It took four years before Pret was ready to open a second shop. In 1990, 319 High Holborn opened, followed by St Martin's Lane in 1992 – the first sit-down café.

1995 – PRET FOUNDATION TRUST – Julian and Sinclair set up the Pret Foundation Trust ("PFT") with the aim to alleviate poverty in the UK. The PFT is funded by donations we make from the sale of some of our products, plus generous contributions to the collection boxes in our shops.

1998 – 'JUST MADE' WITH LOVING CARE – In 1998 we became the first major high street food shop to sell sandwiches in a cardboard box. It seems so obvious now.

2000 – A BITE AT THE BIG APPLE – Our first international shop opened on Broad Street, New York City, in July 2000. We opened 16 more shops in two years but were slow to adapt to local tastes and preferences.

2002 – HELLO HONG KONG – The IFC was our first shop in Hong Kong, opening in 2002. We're still opening shops and serving a growing number of local, loyal customers today.

2006 – PRET'S CHARITY RUN – Our mission to help the homeless went one step further when we launched the Pret Charity Run in 2006. A fleet of vans delivering our unsold food to hostels, shelters and charities all over London.

2012 – VIVE LA FRANCE – In 2012, Parisians flocked to eat Crayfish & Rocket in our first shop in Paris.

2014 – SHANGHAI – We opened our first shop in Shanghai, China, in 2014.

2016 – DUBAI – Terminal D opened in Dubai International Airport on 24th February 2016, and so did our first shop in the United Arab Emirates.

2016 – VEGGIE PRET – Pret was the first ever major food chain to open a vegetarian only shop in London in June 2016. Much to the surprise of the team, sales actually increased by 70% as vegetarian and vegan diehards flocked to the Veggie Pret in Soho.

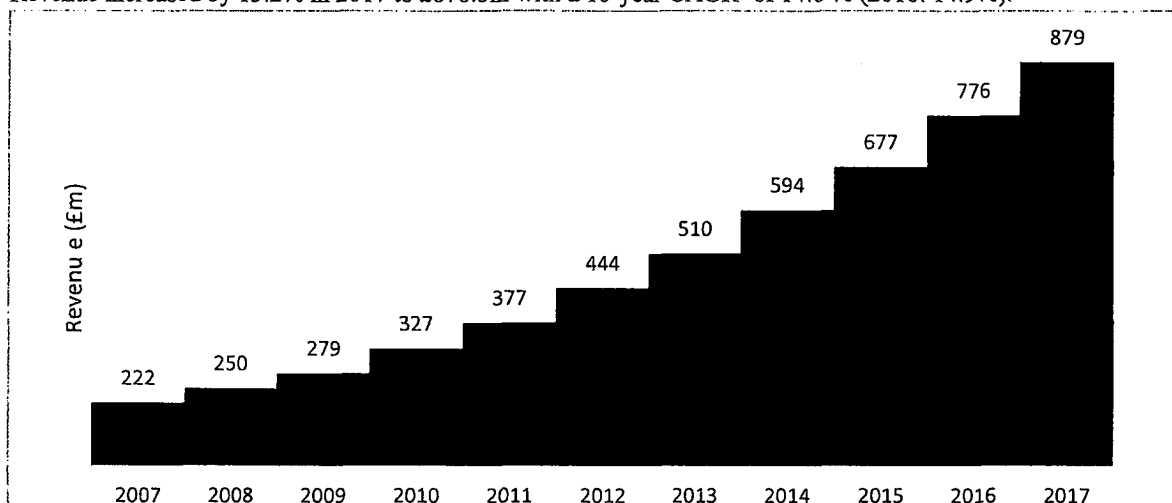
2017 – SINGAPORE – In May 2017 Pret landed at Changi Airport in Terminal 3 (just by the butterfly garden). It's our fifth shop in an international airport outside of the U.K., after Charles de Gaulle, Nice, Hong Kong and Dubai.

Financial & non-financial highlights

| | | |
|---|---------|------------------------------|
| Group revenue | £878.5m | (2016: £776.1m) |
| Like-for-like sales growth ¹ | +3.2% | (2016: +4.8%) |
| Underlying EBITDA ² | £99.1m | (2016: £94.3m ³) |
| Operating profit | £39.2m | (2016: £44.2m ²) |
| Net new shops opened | 58 | (2016: 45) |
| Food items donated to charity | 3.4m | (2016: 3.0m) |

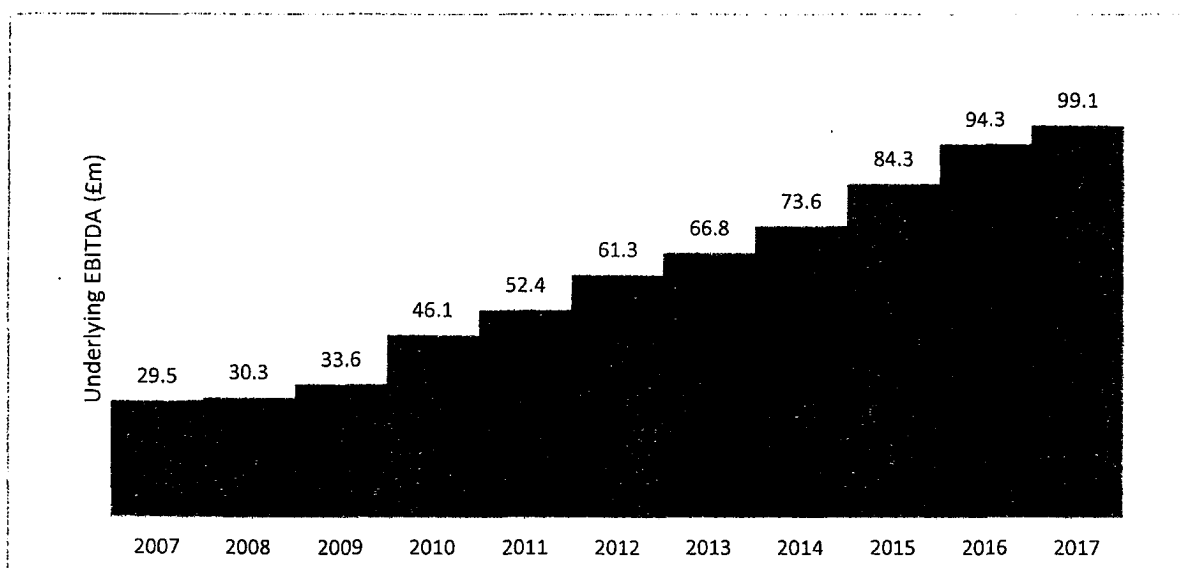
Revenue

Revenue increased by 13.2% in 2017 to £878.5m with a 10-year CAGR⁴ of 14.8 % (2016: 14.9%).



Underlying EBITDA

Underlying EBITDA increased by £4.8m or 5.1% in 2017 to £99.1m with a 10-year CAGR of 12.9% (2016: 15.2%³).



¹ Like-for-like sales are defined in Note 3 of the Financial Statements on page 31.

² Underlying EBITDA is defined in Note 3 of the Financial Statements on page 32. Refer to the Consolidated Income Statement on page 22 for a reconciliation to statutory operating profit.

³ Restated. Refer to Note 2 of the Financial Statements on page 27 for further information.

⁴ The compound annual growth rate ("CAGR") is the mean annual growth rate between 2007 and 2017.

Chairman's Statement

I am pleased to report another year of continued growth in 2017. We achieved our 34th consecutive quarter of like-for-like sales growth and revenue increased by 13.2% to £878.5 million, assisted by the opening of a further net 58 shops in the year including 31 in the UK and 16 in the USA.

The Pret estate now spans over 500 shops in seven markets and we are well-positioned to continue our growth through disciplined opening of new company-owned stores, increasing sales at existing shops, and opening franchised shops with like-minded capable partners. We have significant opportunities to increase our company-owned stores in existing markets and expect to open over 50 stores in 2018, identifying opportunities in existing cities and transport hubs, as well as through new store formats, universities, hospitals and underground stations. Encouragingly, we continue to experience growth in almost all annual vintages of our shops – even our oldest shops continue to show like-for-like sales growth as a result of continued innovation and the hard work of our team members.

During the year we have also continued to explore new partnerships with a number of well-resourced food service companies such as Emirates Leisure Retail, Select Service Partner, Lagardere, Bon Appetit and HMSHost all of whom operate in attractive locations. Pret chooses franchise partners with great care and incentivises them to invest in the customer experience. We only work with partners that can demonstrate the capacity to deliver and operate high quality sites, often in high traffic areas such as airports and railway stations, where our operating model is positioned to generate high sales volumes. This channel of growth is of great importance to us as we increase the visibility of the Pret brand throughout the world.

In a year of significant progress for Pret, we also saw a number of commercial pressures emerge in our key markets of the UK and the US. Our UK consumers have faced inflationary pressures, stagnant wage growth and the uncertainty regarding interest rate rises, as well as a temporary dampening in demand following the awful terrorist attacks in London and Manchester. In addition, Pret has faced significant increases in business rates which have been especially impactful given the number of stores in central London. Pret prides itself on providing high quality food to customers which is good value. To maintain this value, we have continued to drive operational efficiencies throughout the business, we have negotiated fairly with our suppliers and absorbed costs where it is appropriate to do so, and we've introduced products at all price points to ensure that there is something for every customer. For example, Pret is proud to have been offering its filter coffee at 99p for over 10 years.

Pret continues to make meaningful progress in the United States and opened net 16 new shops in 2017. Our total US sales increased 16.6% to £172.8 million during the year and several promising new sites have already been identified for 2018. However, 2017 has been a year of notable challenges for Pret in America with the business facing into a more competitive market and important changes to local labour laws and taxes, which collectively have resulted in the need to record an impairment charge of £5.5m on store assets.

Despite these challenges, Pret's overall Underlying EBITDA increased by 5.1% to £99.1 million (2016: £94.3 million⁵), reflecting the remarkable resilience of our offering – hardworking teams providing delicious and freshly prepared food and drink from well-located shops.

Potential Listing

It is almost ten years since Bridgepoint took a controlling interest in Pret and we have made no secret that we believe Pret is ideally suited to being a quoted company at some point in its future. During 2017 we started to explore the options around a public offering and in doing so incurred significant non-recurring advisory costs (as disclosed within note 7 of the Financial Statements). As part of this review it has been necessary to change our external auditors to Ernst & Young LLP and revisit previous years' financial information. It is in this context that we have restated certain balances within the comparative 2016 financial information and further detail can be found in Note 31 of the Financial Statements on page 56.

The Board continues to study options for a listing, but no decisions have been taken on timing. Pret is a British institution, of which our shareholders are very proud, and the Board is confident that the company will continue to thrive in the years to come, whether in public or private ownership.

Our People

"You can't hire someone who can make sandwiches and teach them to be passionate. So we hire passionate people and teach them to make sandwiches." - Julian Metcalfe, 1988.

⁵ Restated. Refer to Note 31 of the Financial Statements on page 56 for further information.

We have always recognised that Pret's people are key to our success. So we always hire people who are warm, energetic and work well together. In 2017 we welcomed over 1,100 team members into a collaborative team culture that fosters customer engagement, operational excellence and unusually high levels of commitment.

Our team members represent a multinational and diverse population that work incredibly hard every day making beautiful food and delivering great service. We hire individuals who work well in teams and we build shop teams who provide a service to our customers that, we believe, is unmatched in our industry. Our shop teams work hard together, succeed together and socialise together and we believe this powerful team culture gives us a clear advantage over competitors.

We have a dedicated "Pret Academy" in each market that provides training and development for a career pathway from team member to team leader to assistant manager to general manager. Our team members are part of their shop's individual "Family Tree", which offers a pathway to future roles and responsibilities and clear guidance on how they can rise to managerial levels. Approximately 80% of our UK shop managers began their Pret careers as team members. Three out of four of our market Managing Directors began their Pret careers as assistant managers. We offer a career and not just a job and this is reflected in team turnover that is materially lower than much of our sector.

We are proud to recruit our team members from all walks of life and we celebrate and value this diversity. Pret has benefited historically from free labour movement in the EU and our workforce and performance reflects this. Negotiations surrounding the UK decision to leave the EU are ongoing and are worrying for many of our customers and team members. However, based on our ability to attract and retain great people, we are confident that the exciting opportunities that Pret offers will continue to attract the very best people in the UK and the rest of the world.

Our Food and Drink

Our sandwiches and salads are freshly prepared in our shops and our menu is designed to suit a wide range of tastes and preferences in a world where health and wellness are increasingly important factors in consumer behaviour. Our capacity to develop new food and drink and to react to our customers' feedback is extremely important to our success and we are alert to the evolving tastes of customers in all the markets in which we operate. We typically work on a 9-month timeline for new menu items and minimise the impact of failure by running a rigorous test and trial process before launching across individual markets.

Following the popularity of our trial "pop up" vegetarian-only shop in London in 2016, Veggie Pret has now become a permanent concept and it has also influenced the Pret menu across all shops. During the year we opened two more Veggie Pret shops in London and plans are in place to take Veggie Pret outside London in 2018.

Impact on our Communities

Pret is determined to reduce its impact on the environment and we try to have a positive effect on the communities in which we work. In 2017 we donated some 3.4 million food items to charity, ensuring that as much of our unsold food as possible is given to people who really need it. As part of our commitment to reduce plastic waste we commenced trials of selling reusable water bottles and installing filtered water stations in many of our stores and we regularly consult with customers to find packing solutions that are both environmentally and user friendly.

Outlook

Pret has enjoyed a strong year of performance in 2017 and our business has remained resilient in the first quarter of 2018 despite a well-publicised slowdown in consumer activity in the UK and the unusually poor weather in the UK and US.

This gives us huge confidence to focus on what we do best: the continuous improvement of the quality of our offering and operations with exciting food innovation whilst always maintaining attractive and reasonable price points.

In the year ahead we remain committed to investing capital to ensure our shops are welcoming for customers and inspiring places for our teams to work. We will continue to expand in existing and new markets opening both new company owned shops and shops operated by our high-quality partners.

As we look to an exciting year ahead we are very grateful to each of our hard-working team members all over the world, as well as to our customers and many business partners whose support plays a critical role in our success and our continued growth.



William Jackson
Chairman

24th May 2018

About Pret

Pret A Manger is a global leader in offering freshly prepared, delicious, food and organic coffee in a welcoming and convenient setting. Pret's food is handcrafted throughout the day using ethically-sourced ingredients which are delivered to each shop's kitchen up to six days a week. Pret combines its industry-leading food offering with an organic coffee offering that reflects the same principles of quality, ethical sourcing and sustainability.

Pret offers an innovative and flexible menu that is adapted to tastes and preferences across its markets. Its wide selection of food and drink includes sandwiches, hot food, salads, soups, baked goods, snacks, fresh fruit juices and organic coffee. At the end of each day, Pret donates the majority of its unsold packaged foods to homeless charities in its local markets, which is why you don't find "best before" or "sell by" dates at Pret.

Our Strategy

Pret's strategy is to expand our footprint in the United Kingdom, the United States and the rest of the world while continuing to improve our existing business and remaining true to our core values.

Pret leverages two key competitive advantages: the taste and freshness of its food, and the speed and engagement of its customer service. We also pay great attention to other key success factors, such as product innovation, site selection, staff and culture, and engaging communication.

The high-level actions needed to deliver our strategy include:

1. Open new company-operated shops
2. Grow like-for-like sales
3. Expand our partnerships

1. Open new company-operated shops

Pret is in the early stages of its global growth strategy, and at the end of 2017 had 502 system-wide shops: 360 in the UK, 90 across five American cities, and 52 in our other markets of France, China, Hong Kong, Singapore and Dubai. Of these shops, 483 were company operated. We expect to grow company operated shops at a rate of approximately 10% over the next few years.

It is anticipated that the significant majority of these new company-operated shop openings will be in existing markets of the UK, US, France and Hong Kong. Pret's brand strength, global infrastructure, existing-shop performance, and attractive new shop economics underpin the opportunity to continue a disciplined growth trajectory, focusing on the principle of quality over quantity.

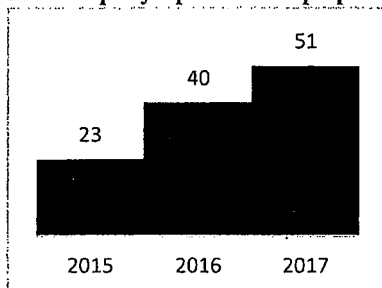
Expand in existing markets: We have significant opportunities in the UK, including in central London and the suburbs. Customer demand is such that cannibalisation, even in the densest shop locations, is not a significant limiting factor for growth opportunities. Outside of London, Pret plans to continue to expand into other cities and towns around England, Scotland and Wales. In the US, Pret has an abundance of shop opportunities throughout its core New York, Chicago, Washington D.C. and Boston markets. In France, a substantial number of openings are anticipated in Paris, together with expansion opportunities in new cities such as Nice, Rennes and Lyon. Pret also expects to continue growing in and around Hong Kong where our small "Petit Pret" kiosk format is particularly suited to the transportation network and office lobbies.

Capture non-traditional company-operated venue opportunities: Pret is now exploring new types of locations, such as universities, hospitals and transport hubs, which offer natural advantages due to flexible shop size, format and speed of service. The Petit Pret format, for example, has performed extremely well when sited inside busy stations such as South Kensington and Kings Cross in London. This format is based upon a smaller footprint site and focuses on take-away trade with a streamlined menu. Early success in this format has been encouraging and opens up many more opportunities throughout all of Pret's existing markets.

Open company-operated shops in new markets: There is significant global opportunity and Pret plans to carefully consider opening new company-operated shops in new markets around the world.

Progress against Key Performance Indicators

Net company-operated shop openings



In 2017, net company-operated shops increased by 51 representing a 12% increase on the 432 at the end of 2016.

Pret opened net 29 company-operated shops in the UK in 2017 and for the second year running, this included more shops outside of London than within, as we continue to seek opportunities in regional towns.

Our notable UK shop openings in 2017 included a second hospital site in St George's Hospital, London and our first two sites located within university campuses, at Exeter and Southampton universities.

In addition to this, we opened net 13 company-operated shops in the US and net 9 across the rest of the world (6 in Hong Kong and 3 in France).

2. Grow like-for-like sales

Pret has a proven track record of delivering growth at scale and has now generated 9 consecutive years of like-for-like sales growth. The company intends to continue delivering consistent like-for-like sales growth through the following means:

- **Menu innovation:** Pret will continue to develop its menu to create food and drink that is consistent to the brand promise, appeals to consumers' changing tastes, and drives habitual consumption. Innovation focuses on both emerging consumer trends and refreshing best-selling lines. In 2017 for example, Pret introduced a number of gluten and dairy free alternatives to customers. Meanwhile the Veggie Pret store format encourages us to continue developing increased numbers of vegan and vegetarian products which are proving popular with our customers, and which can be introduced across the rest of the estate.

- **Grow day-parts:** Pret has an opportunity to continue to widen its appeal outside lunchtime by offering the right food and environment for the growing breakfast, mid-morning, mid-afternoon snack and evening day-parts. Pret's menu is also well suited for catering to a variety of business and social occasions, and there are opportunities to grow the off-premise business through both the "Pret Delivers" catering program and third-party delivery services.

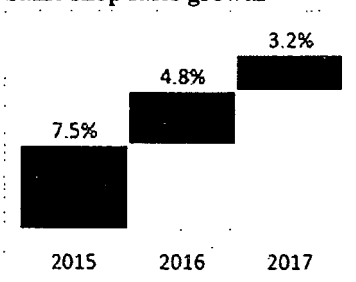
- **Attract new customers through expanded brand awareness:** Consumers become increasingly familiar with Pret as it becomes established and builds visible presence in existing markets through its selection of highly prominent shop locations. The company will continue to deploy its communication strategy, which utilises high traffic locations, cheerful staff, unique in-shop messaging, digital and social media and targeted PR to drive customer engagement at relatively low cost.

- **Maintain focus on shop operations:** Pret shop operations are focused on delivering superior service to each and every customer. Pret has the opportunity to further increase transaction speed by growing the number of "contactless" transactions across the shop base system-wide. In addition to the efficiencies of increased operational speed, Pret maintains a flexible approach to shop trading days and opening hours in order to meet evolving local market needs. By strategically extending hours in response to customer demand, Pret can maximise sales early and late in the day to grow transaction volumes.

- **Strategically expand shop size and refurbish shops:** Pret has established that increasing the amount of seating, the number of tills or the number of display fridges in each shop has a significant impact on volumes where excess customer demand or capacity constraints are evident. This sometimes requires leasing adjacent space and extending constrained shops, which has proved to be a successful way of growing sales in areas we are situated more densely.

Progress against Key Performance Indicators

Same shop sales growth



Pret achieved like-for-like sales growth of 3.2% in 2017, assisted by a particularly strong performance in France.

The main driver of the metric, the UK, saw some moderation of its growth due to the well-publicised inflationary pressures being experienced by consumers, as well as the terrorism events in London & Manchester during the year, which affected tourist numbers.

3. Expand our partnerships

Pret seeks to expand internationally and into certain new store formats utilising franchise partners, working closely with these partners to ensure that they remain faithful to the brand and Pret values.

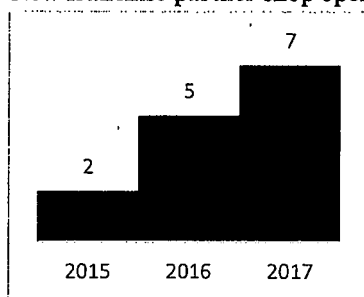
Pret's partnership strategy is to accelerate the pace of openings with several market leading partners. In the initial phase of this strategy we will focus on high profile transport hub locations throughout the world, followed later with additional development into other store formats.

Pret currently has franchise agreements with a number of well-resourced food service companies such as Emirates Leisure Retail, Select Service Partner, Lagardere, Bon Appetit, HMSHost and Roadchef. These agreements have enabled Pret to open successfully in several new travel hub locations and markets, such as Dubai, Singapore and Copenhagen.

The future for partnerships is exciting. As Pret develops a successful formula, there are significant opportunities to enter new markets without significant capital outlay. In developing the successful formula, Pret chooses franchise partners with great care and contractually incentivises them to invest in the customer experience and open high-volume shops. We only work with partners that can demonstrate the capacity to deliver and operate high quality sites that drive the high transaction numbers the Pret model needs.

Progress against Key Performance Indicators

New franchise partner shop openings



At the end of 2017, Pret had 19 franchise partner shops with net 7 opened in the year.

In 2017, Pret and its franchise partners opened net 2 shops in the UK, net 3 in the US, net 1 in France and entered Singapore for the first time with a new shop in Changi Airport.

Further progress has been made to date in 2018 with the opening of shops in Denmark and the Netherlands. In addition, agreements have been signed to open more shops in the US and other European markets.

Principal risks and uncertainties

The Board of Directors is responsible for identifying significant risks to the business and for ensuring that appropriate internal controls and risk management is in place. These risks are monitored through the risk register, with the task of implementing these processes delegated to operational management.

The risks and uncertainties described below represent those which the Directors consider to be the most significant to the Group. This list is not exhaustive and there may be additional risks and uncertainties currently not known to the Directors, and other risks which the Directors believe to be less material, which may have an adverse effect on the Group.

Strategic risks

| <i>Risk</i> | <i>Description</i> | <i>Mitigant</i> |
|---|--|---|
| <i>Brand and reputation</i> | The Pret brand is a key asset. Failure to protect the brand through mismanagement of our trademarks could reduce its value. Pret is well known for great customer service, high quality food and environment. Failure by Pret or our franchise operators to maintain the high standards we have set could damage our appeal to consumers. | 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. In order to ensure that Pret leads the market in customer service, we run a mystery shopper programme covering all of our shops, including franchises, on a weekly basis. The results are monitored on a regular basis by the Board. |
| <i>International expansion</i> | The success of our international businesses is integral to our business strategy. Ineffective monitoring of our international businesses could restrict their growth potential or put capital at risk. | We are structured to provide effective oversight of international operations and regularly monitor international performance. Regular detailed international strategic reviews are undertaken by the Board. This includes Board meetings held in each country in which Pret operates. |
| <i>Britain's vote to leave the European Union ("Brexit")</i> | In March 2017, the UK formally initiated a 2-year negotiating period after which it would leave the EU. There is now uncertainty about the future relationship between the UK and the EU; specifically, the laws, regulations and bilateral agreements covering a number of areas including tax, free trade, supply chain logistics, health and safety, immigration and employment. The impacts of such uncertainty may increase costs (food costs in particular), depress consumer activity, restrict our access to capital and impair our ability to attract and retain the best team members. | Management is monitoring negotiations closely and proactively forming strategies to mitigate potential risk. Management have already navigated cost increases caused by higher UK domestic inflation from a deflation in Sterling through fair negotiations with suppliers and price investment. We will continue to respond appropriately as the outcomes become clear. |

Operational risks

| <i>Risk</i> | <i>Description</i> | <i>Mitigant</i> |
|-------------------------------------|---|--|
| <i>Health and safety</i> | Failure to maintain health and safety standards in food preparation could lead to illness and impact our 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 train our staff. We regularly audit our shops to a high level and continually review our systems and procedures to improve the safety, health and wellbeing of all those who come into contact with us. |
| <i>People</i> | 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 and the service valued by our customers. | We review our people policies regularly and are committed to investing in training through our 'Pret Academies' and online resources that offer tailored instruction for the training and development of all of our staff. We discuss our people further in the HR section of the Directors' Report. |
| <i>Technological</i> | The Group is dependent on IT infrastructure and serious system issues could cause significant business interruption. Further to this, our growth requires ever more complex and sizeable technological systems. At the same time technology continues to develop. Any failure to ensure that IT capacity and capability keep pace with the business could impair the Group's ability to grow. | The Group continually invests in its systems and people. Back-up facilities and business recovery plans are in place to mitigate severe system outages. Pret also has relationships with third party experts who can be used to pre-empt technology issues or to speed any shortfall mitigations. |
| <i>Cybersecurity</i> | Failure to protect our systems and information from external threats could lead to loss or exploitation of sensitive data or business disruption. | Pret uses a variety of countermeasures to combat threats to cybersecurity; from the user interface, HR policies and systems, to the platform and infrastructure level. The Group constantly monitors emerging threats to cybersecurity and proactively monitors and ensures appropriate controls are in place. |
| <i>Data security and regulation</i> | The General Data Protection Regulation ("GDPR") comes into force in the UK from 25 May 2018 and places requirements on companies around the way they collect, store, process and protect personal information. Fines for infringements may be significant. | Pret has been through a process of evaluation of current policy and practice, followed by the implementation of staff training and additional appropriate controls to cover any shortfalls against the GDPR. |
| <i>Supply chain risk</i> | Our business model relies on fresh produce of assured provenance being delivered to our shops via a secure supply chain. Should a significant component of our supply chain be compromised, this may lead to disruption and/or loss. | Pret maintains close relationships with our suppliers which enables us to quickly react to or foresee future disruption. We also have the ability to quickly switch suppliers or alter our menu to mitigate potential issues. |

Financial risks

| <i>Risk</i> | <i>Description</i> | <i>Mitigant</i> |
|---|---|--|
| <i>Interest rate risk</i> | <p>Pret's balance sheet includes borrowings as described in Note 18 of the Financial Statements.</p> <p>There is a risk that a significant rise in interest rates will make the servicing or renewal of our borrowings unsustainable.</p> | <p>Pret's borrowings carry interest both at floating and at fixed rates. Further to this, an interest rate cap has been entered into for a portion of the floating rate facility.</p> <p>Details of the interest rate profile and risk of the Group are provided in Note 23.</p> |
| <i>External borrowing covenant compliance</i> | The Group is required to comply with certain covenants on its external borrowings in line with normal commercial lending practices. Failure to comply with these covenants could result in their cancellation. | The Group's quarterly forecasting process measures performance against these covenants which is then reported to our lenders. |
| <i>Foreign currency risk</i> | There is a risk that movements in rates of foreign exchange cause an increase in liabilities or costs either through transaction settlement or retranslation at adverse rates. | 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. Details of the foreign currency risk are given in Note 23. |

By Order of the Board:



C E B Schlee
Director

24th May 2018

Directors' Report

The Directors present their Directors' Report and the audited financial statements for the 52-week period ended 28 December 2017.

As permitted by legislation, some of the matters normally included in the Directors' Report have instead been included in the Strategic Report, and the notes to the financial statements. Specifically, this includes information on future business developments (Strategic report), financial instruments and risk management (Note 23).

People

The Group has a hard-working workforce of over 11,700 employees: 8,581 located in the UK, 2,345 in the USA, and 870 across the rest of the world, representing over 118 different nationalities. Within the UK, 28% of our employees work part time, ensuring a flexible workforce.

Recruitment

Pret received a total of 38,400 Team Member job applications in the UK and over 24,890 in the USA in 2017, and we filled 70% of our London Team Member vacancies within three days. We involve our shop teams in the recruitment process by asking for their feedback on candidates. We have taken on 50 new recruits on the Pret Apprenticeship in 2017, and our 2016 intake of Apprentices continued to do well with 85% graduating from their Level 2 Apprenticeship in September 2017. Our Apprentices from previous years continue to develop with 77% of them being promoted into more senior roles.

The Rising Stars Programme is funded by the Pret Foundation Trust and offers homeless people the opportunity of a three-month paid 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 root 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.

Pay and reward

Pret has always recognised the need to pay what we can afford, rather than simply what we must. Accordingly, we have generous bonus schemes in place for all employees starting with our Team Members. During 2017, Pret awarded a pay rise to its UK Team Members to support its strategy of paying well above industry norms in recognition of their hard work and commitment. Pret has also increased pay at all levels of shop operations to appropriately recognise promotion and career progression.

In the US, Pret awarded a pay rise to its Team Members during 2017 to ensure it continues to offer attractive pay and benefit packages.

Pret published its Gender Pay Report in April which can be viewed on our website. We were pleased to report a good representation across the four pay quartiles, a mean pay gap significantly less than the UK average and a median pay gap of -0.2%.

Employee survey

Pret conducts global employee opinion surveys with the latest achieving an industry leading response rate of 98% and overall employee 'happiness' rating of 86%. A series of actions have been undertaken in each country as a result of feedback to drive further improvement for 2018.

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.

During 2017, Pret continued with Employee Forums in the UK. These operated at a local and national level and helped to highlight key areas of focus for senior management. This resulted in some key changes being announced which were well received by Pret's shop teams.

Learning and development

In 2017, the Pret Training Academy in central London delivered courses to over 12,700 delegates, and a further 5,900 delegates were trained by the Academy teams in our other markets.

Every retail role within the organisation has a training pathway consisting of e-Learning courses, workshops on the job guidance, followed by a formal assessment and graduation. As evidence of Pret's commitment to promote from within, 78% of Managers within the UK business and 68% of Managers within the US business joined Pret as Team Members.

Pret's Team Leader training in the UK is accredited with NVQ level 3. Pret UK also offers an NVQ Level 2 qualification for UK Baristas, Team Member Trainers and Hot Chefs, and our General Manager training is accredited by the Institute of Leadership and Management (ILM). Support centre employees are offered a range of internal and external training initiatives, including various Senior Leadership programmes.

Human rights

Pret publishes an annual modern slavery statement which is available on our website.

Anti-corruption and anti-bribery

The Group have anti bribery policies in all the markets in which it operates.

Employment of disabled persons

The Group recognises its responsibilities towards disabled persons and gives full and fair consideration to applicants for 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 continued employment. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees. For example, we are particularly proud that we have 12 deaf employees working in the French business. We have introduced a regular translator to offer them additional support providing them with full access to our training pathways.

Sustainability

Pret's core areas of Sustainability are aligned to areas it knows it can impact, influence and which are aligned with its brand. The work in its sustainability strategy falls predominantly in four key areas - positive contribution to society, using fewer resources, sustainable farming, and healthy food. This international strategy was set with support and advice from Forum for the Future, a sustainable development organisation.

Contribution to society

Pret continues to ensure that it makes a positive contribution to society, and through the Pret Foundation Trust it focuses on relief of poverty, in particular, homelessness in the UK. This has been achieved through the distribution of unsold food at the end of each day, employment programmes offering work to homeless people, and financial donations to grass-roots homeless partner charities.

The Pret Foundation Trust income came from three main sources in 2017, product donations, customer donations and other private and small-scale fund raising active donation donations. This enabled it to achieve a record income year of £1.9 million.

The Pret Foundation Trust is an independent charity, registered number 1050195, who's work Pret supports through product donations, till collection boxes and other activities.

The Pret Foundation Trust achieved another year of record levels of income in 2017, raising £1.9 million. The majority of this was raised through UK sales of soups each donating 10p and the Christmas campaign donating 50p from each Christmas sandwich and baguette.

In 2017, over 3.4 million main meal items were collected and distributed on behalf of charities, with food from approximately 88% of Pret shops collected by or distributed to charities at the end of each business day.

The Pret Foundation Trust also supported smaller, grass-root charities with cash, equipment or grocery donations. In 2017, 64 donations were made totalling £1.1m. This number continues to increase each year, made possible by the year-on-year increases in income raised.

Pret was shocked by the Grenfell Tower disaster, one of the worst disasters of this type in London, having a devastating impact on hundreds of families. Pret supported through food and drink donations and the Pret Foundation Trust donated £116k to the victims made homeless by the tragedy. The Pret Foundation Trust exists to alleviate homelessness, and this made an immediate and material difference.

The Rising Stars Programme, previously called The Simon Hargraves Apprenticeship scheme, was established in 2008. 50 Rising Stars joined the scheme in 2017 and over 400 Rising Stars have now joined the programme over the last 9 years. Each Rising Star is supported through a three-month placement, with the goal being that this leads to a career either within Pret or in another organisation. Throughout the programme history graduation rates have been very high and this continued in 2017 with 79% of apprentices successfully graduating.

The Shooting Stars programme was set up in 2015 and offers a career development programme resulting in a BTEC level 2 in Work Skills. Eight Shooting Stars were selected for the programme in 2017 with over 24 starting the programme over the last three years. The graduation rate in 2017 was 50% and two Shooting Stars became Assistant Managers.

Internationally Pret continues to donate unsold food to those in need and raise donations for other international charities for the disadvantaged and those at risk.

Resources

In 2017, Pret renewed its commitment to purchase all its electricity from renewable sources for directly supplied shops and continued 100% diversion of waste from landfill for all managed shops. Pret continues to prevent food waste through donations of surplus food to charity.

During 2017 Pret has focussed on a number of packaging initiatives in three key areas: packaging reduction, positively promoting re-use, and enabling increased recycling.

As part of the initiative to promote re-use, in April 2017 Pret introduced a 25p discount for using a reusable cup with a hot drink, and in January 2018 increased this to an industry-leading 50p discount. Pret works with industry bodies to raise awareness of coffee cup recyclability and trialled several initiatives to improve coffee cup recovery and recycling.

To provide customers with an alternative to single-use plastic bottles, Pret installed 28 filtered water stations across its estate in 2017, with more planned through 2018. Pret is also trialling both the sale of reusable water bottles, and a 10p deposit return scheme on all plastic bottles in our Brighton shops ahead of a similar scheme being launched by the UK Government, as part of our commitment to reduce plastic waste.

In 2017, Pret made several changes to packaging lines to reduce weight or consumption. Key examples include reducing the weight of our large paper bag resulting in an annualised saving of 17 tons and reducing napkin consumption by 19% through relocating napkin dispensers.

Sustainable farming

Coffee is one of our key commodities, therefore increasing resilience in our supply chain is important. Peruvian coffee is the largest part of our UK blend, and funded through the sale of coffee Pret is supporting its cooperative there to deliver a programme that helps young farmers to build viable livelihoods growing coffee. The programme is entering its fourth year and 64 students took part in training during 2017 to improve farming knowledge and practices. Over 250 young farmers have now completed the programme, which expanded and evolved throughout the year. In 2017, 10 new youth led demonstrations plots were implemented to illustrate good farming practices through local Farmer Field Schools. Pret also scaled up some parts of its decentralised regional training offering to increase its reach to a further 200 farmers and introduced an interest free loan to 30 young farmers to organically raise their productivity and receive extra technical support.

Improving the welfare of animals within our supply chain continues to be an area in which Pret invests time and resource. This ensures incremental improvements are made to ensure the welfare of the animals in our supply chain remains at the highest feasible levels.

In 2017, Pret also published its first Modern Slavery Statement in line with the 2015 Modern Slavery Act. It detailed the steps it has taken to prevent, identify and respond to risks of modern slavery within its business and supply chains. As part of this, Pret joined the Supplier Ethical Data Exchange ("SEDEX") and made it mandatory for all its food and drink supply chain to be members. This increases Pret's visibility into its food supply chain and help identify and act on potential and actual risk.

Healthy food

Pret has remained committed to its ethos of providing a balanced range of delicious freshly prepared food, accessible for all. Pret opened two more Veggie Pret shops and trialled Veggie fridges across the estate responding to the "Flexitarian" lifestyle trend, giving everyone the opportunity to eat less meat and more vegetarian or vegan food as often as they choose.

Our Directors

The Directors who served during the year were as follows:

William Jackson has served as Chairman of the Board of Pret since 2012. William is currently Managing Partner of Bridgepoint, which he joined in 1986, and has held that position since 2001. He also currently serves as President of the Board of Dorna Sports, is a director of British Land Company plc, where he chairs the Remuneration Committee and is Senior Independent Director.

Larry Billett served as Chairman of the Board from 2003 to 2011. He is also Managing Director of Billett Group, and prior to founding Billett Group, Mr. Billett worked at Salomon Brothers and SG.

Clive Schlee has served as Pret's Chief Executive Officer since 2003. Clive has over 25 years of experience in the retail food business, and prior to Pret worked with Jardine Matheson, the Hong Kong-based multinational, where he spent 17 years and focused on Jardines' franchised restaurant operations around the Asia Pacific region. Clive was also a founding partner at Itsu in 1998.

Adam Jones has served as Pret's Chief Financial Officer since 2014. Adam is a chartered accountant with over 20 years' experience in global finance roles at All3Media, NBC Universal and IMG.

Andrea Wareham is the Group's People Director having joined Pret's Human Resource team in 2000. Andrea previously worked for Arthur Andersen and Harrods and is on the judging panel for the annual HR Excellence Awards.

Jo Brett is the President of Pret USA. Jo joined Pret in the UK in 1997 and rose through the ranks to be UK Operations Director prior to her relocation to the USA in 2014.

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

Vince Gwilliam has served as a Director of the company since 2008. Vince is a Senior Partner of Bridgepoint, which he joined in 1987. He has been involved in a number of other consumer companies including Hobbycraft, Pets At Home, Safestore, White Stuff and Wiggle.

Anders Dahlvig joined as non-executive Director in September 2012. Anders has worked at IKEA for over 26 years, including the role of CEO and President from 1999 to 2009, and is currently Chairman of Inter Ikea Holding BV. Anders also holds a number of other non-executive Director roles at companies including Kingfisher plc, Hennes and Mauritz AB

Going concern

In adopting the going concern basis for preparing the financial statements, the Directors have considered the principal activities as well as the business risks as set out on pages 11 to 13.

As is common in private equity ownership structures, the Income Statement includes non-cash finance costs relating to interest on shareholder loan notes and preference shares. Due to the fixed nature of the dividends on the cumulative preference shares, IFRS requires that the preference shares, together with the related dividends and interest are disclosed as debt in the Group's financial statements resulting in a loss after tax and net liability position on the balance sheet.

During 2017, the Group repriced its external bank debt, achieving a reduction in margin across the facility. These facilities were initially secured in 2016, being £573 million in aggregate of which £463 million were drawn at completion. The proceeds of the new facilities in 2016 were used to repay £150 million of loan notes.

At the date of signing the financial statements, the Group had debt facilities that mature in 2021. The Group has substantial liquidity, generates substantial operating cash flows maintaining significant cash reserves and has operated with comfortable headroom on all of its lending covenants during the period.

Taking the above into consideration, the Directors have reviewed updated financial forecasts covering at least twelve months from the date of approving these financial statements and notwithstanding the net liabilities (being Total assets less Total liabilities as per the Group Statement of Financial Position on page 24) of £300.3 million (2016: £276.2 million) the Board continues to be satisfied that the Group will be able to operate within the requirements of its amended facilities for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

Political and charitable contributions

During the year payments of a charitable nature amounted to £1.5 million (2016: £1.5 million). In 2017, 50 (2016: 53) apprenticeships were awarded to young homeless people through the Rising Stars Programme run by the Pret Foundation Trust. The Group made no contributions political parties or organisations in the year (2016: none).

Dividends

No dividends were declared or paid during the year. Preference share dividends accrued during the year were £25.5 million (2016: £22.6 million) per note 19.

Tax

Pret A Manger pays taxes in the countries in which it operates, namely the United Kingdom, the USA, Hong Kong, France and China.

Pret's objective is to be a responsible tax payer and operate within both the letter and spirit of legislation. Accordingly, Pret does not take an aggressive stance in its interpretation of tax legislation and does not use "tax havens" to reduce the Group's tax liability nor does Pret use marketed or aggressive tax avoidance schemes. Pret utilises the framework of reliefs that are available, such as allowances on capital expenditure, to determine its tax.

Ultimate responsibility for Pret's tax strategy remains with the Board of Directors of PAM Group Limited. Adam Jones, Pret's Chief Financial Officer, is the Group's Senior Accounting Officer responsible for tax compliance with HM Revenue & Customs.

Pret publishes an annual tax strategy on its website in accordance with section 161 and schedule 19 of the UK Finance Act 2016.

Our private equity shareholders

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.

Control

Bridgepoint Advisers Limited owns 69% of the ordinary voting share capital of PAM Group Limited through various funds. Pret's founders retain 16% of the ordinary voting share capital of the Company and key members of management hold 15%.

Change in auditors

Following a formal tender process, EY were appointed as the Company's new statutory auditor.

Restatement of prior period information

In the process of preparing the 2017 financial statements, the Group identified a number of adjustments to the previously issued financial statements which were considered sufficiently material in aggregate to warrant restatement. Accordingly, the Group presents restated results for 2016 and a restated opening position as at 31 December 2015. The restatements are described in more detail in note 31 of the financial statements – see page 56. The circumstances surrounding the restatement are discussed in the Chairman's statement on page 6.

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 auditor is 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 auditor are aware of that information.

By Order of the Board:



C E B Schlee
Director

24th May 2018

Statement of Directors' Responsibilities in Respect of the Strategic Report and the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with IFRS as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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 period. 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 judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRS as adopted by the EU;
- for the Parent Company financial statements, 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 the 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 its 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of PAM Group Limited

Opinion

We have audited the financial statements of PAM Group Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 28 December 2017 which comprise the Group Profit and Loss Account, the Group statement of comprehensive income, the Group and Parent company Balance Sheet, the Group and Parent statement of changes in equity, the Group statement of cash flows and the related notes 1 to 31 for the consolidated financial statements and notes 1 to 10 of the company financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 28 December 2017 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial

statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

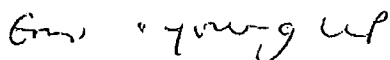
As explained more fully in the directors' responsibilities statement set out on page 19, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



*Julie Carlyle (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
24 May 2018*

PAM Group Limited

Consolidated Income Statement

For the year ended 28 December 2017

| Group | Notes | 2017 £m | 2016 Restated* £m |
|---|-------|---------------|-------------------------|
| Revenue | 6 | 878.5 | 776.1 |
| Cost of sales | | (496.6) | (439.0) |
| Gross profit | | 381.9 | 337.1 |
| Administrative expenses | | (342.7) | (292.9) |
| Operating profit | 6 | 39.2 | 44.2 |
| Add: Impairment of PPE and onerous lease provisions | 7 | 6.5 | 5.0 |
| Add: Share based payment expense | 24 | 2.0 | 3.5 |
| Add: Non-recurring items | 7 | 6.7 | 2.6 |
| Underlying operating profit | | 54.4 | 55.3 |
| Add: Depreciation, amortisation & loss on disposal of PPE | | 44.7 | 39.0 |
| Underlying EBITDA | | 99.1 | 94.3 |
| Operating profit | 6 | 39.2 | 44.2 |
| Finance costs | 9 | (26.8) | (28.3) |
| Interest on shareholder liabilities | 9 | (25.5) | (35.8) |
| Loss before tax | | (13.1) | (19.9) |
| Tax | 10 | (11.7) | (4.3) |
| Loss for the year | | (24.8) | (24.2) |

All of the Group's activities in the period are derived from continuing operations and are attributable to equity holders of the Company.

* Certain prior year financial information has been restated. Refer to Note 2 & 31 for further details.

The notes on pages 27 to 60 form part of these consolidated financial statements.

PAM Group Limited

Consolidated Statement of Comprehensive Income or Loss

For the year ended 28 December 2017

| Group | 2017 £m | 2016 Restated* £m |
|---|------------|-------------------------|
| Loss for the year | (24.8) | (24.2) |
| Other comprehensive (loss) / income to be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of foreign operations | (2.9) | 9.3 |
| Tax on above items | 1.6 | (2.8) |
| Net other comprehensive (loss) / income cost | (1.3) | 6.5 |
| Total comprehensive loss for the year | (26.1) | (17.7) |

* Certain prior year financial information has been restated. Refer to Note 2 & 31 for further details.

The notes on pages 27 to 60 form part of these consolidated financial statements.

PAM Group Limited

Consolidated Statement of Financial Position

As at 28 December 2017

| Group | Notes | 2017 £m | 2016 Restated* £m |
|---|-------|----------------|-------------------------|
| Property, plant and equipment | 11 | 178.8 | 171.3 |
| Intangible assets | 12 | 247.6 | 244.6 |
| Derivative financial assets | 22 | 0.1 | - |
| Other non-current assets | 14 | 7.9 | 6.0 |
| Total non-current assets | | 434.4 | 421.9 |
| Inventories | 15 | 3.5 | 2.9 |
| Trade and other receivables | 16 | 7.9 | 5.7 |
| Prepayments | | 22.2 | 19.5 |
| Cash and cash equivalents | | 63.6 | 59.9 |
| Total current assets | | 97.2 | 88.0 |
| Total assets | | 531.6 | 509.9 |
| Trade and other payables | 17 | 57.8 | 40.3 |
| Accruals | | 43.1 | 45.7 |
| Provisions | 20 | 2.0 | 0.2 |
| Income tax payable | | 3.2 | 3.0 |
| Total current liabilities | | 106.1 | 89.2 |
| Long term borrowings | 18 | 695.7 | 669.7 |
| Deferred tax liability | 13 | 2.0 | 1.2 |
| Other non-current liabilities | 21 | 27.6 | 23.4 |
| Provisions | 20 | 0.5 | 2.6 |
| Total non-current liabilities | | 725.8 | 696.9 |
| Total Liabilities | | 831.9 | 786.1 |
| Share capital | 22 | 0.2 | 0.2 |
| Share premium | | 1.8 | 1.8 |
| Own share reserve | | (4.2) | (4.2) |
| Retained deficit | | (301.6) | (278.8) |
| Foreign currency translation reserve | | 3.5 | 4.8 |
| Total deficit attributable to equity holders of the parent | | (300.3) | (276.2) |
| Total equity and liabilities | | 531.6 | 509.9 |

* Certain prior year financial information has been restated. Refer to Note 2 & 31 for further details.

These financial statements were approved by the Board of Directors on 24 May 2018 and were signed on its behalf by:



A M Jones
Director



C E B Schlee
Director

Company Registration Number 06458900

The notes on pages 27 to 60 form part of these consolidated financial statements.

PAM Group Limited

Consolidated Statement of Changes in Equity

As at 28 December 2017

| Group (Amounts in £ millions) | Share capital | Share premium | Own share reserve | Foreign currency translation reserve | Retained deficit | Total equity/ (deficit) |
|---|------------------|------------------|-------------------------|---|---------------------|-------------------------------|
| At 1 January 2016 (restated*) | 0.2 | 1.8 | (4.2) | (1.7) | (258.1) | (262.0) |
| Net loss for the year (restated*) | - | - | - | - | (24.2) | (24.2) |
| Exchange differences on translation of foreign operations | - | - | - | 6.5 | - | 6.5 |
| Total comprehensive loss for the year | - | - | - | 6.5 | (24.2) | (17.7) |
| Share based payments | - | - | - | - | 3.5 | 3.5 |
| At 29 December 2016 (restated*) | 0.2 | 1.8 | (4.2) | 4.8 | (278.8) | (276.2) |
| Net loss for the year | - | - | - | - | (24.8) | (24.8) |
| Exchange differences on translation of foreign operations | - | - | - | (1.3) | - | (1.3) |
| Total comprehensive loss for the year | - | - | - | (1.3) | (24.8) | (26.1) |
| Share based payments | - | - | - | - | 2.0 | 2.0 |
| At 28 December 2017 | 0.2 | 1.8 | (4.2) | 3.5 | (301.6) | (300.3) |

* Certain prior year financial information has been restated. Refer to Note 2 & 31 for further details.

The notes on pages 27 to 60 form part of these consolidated financial statements.

PAM Group Limited

Consolidated Cash Flow Statement

For the year ended 28 December 2017

| Group | Notes | 2017 £m | 2016 Restated* £m |
|---|-------|---------------|-------------------------|
| Cash flows generated from / (used in) operating activities | | | |
| Loss before tax | | (13.1) | (19.9) |
| <i>Adjustments to reconcile loss before tax to net cash flows:</i> | | | |
| Depreciation, amortisation, impairment, onerous lease and loss on disposal | 7 | 51.2 | 44.0 |
| Net foreign exchange differences | | 0.7 | (3.9) |
| Share based payment expense | 24 | 2.0 | 3.5 |
| Financing costs and net loss / gain on financial instruments | 9 | 26.8 | 28.3 |
| Interest on shareholder liabilities | 9 | 25.5 | 35.8 |
| Cash flows generated from operating activities before movements in working capital | | 93.1 | 87.8 |
| Increase in trade and other receivables | | (4.1) | (3.5) |
| Increase in prepayments | | (2.9) | (2.6) |
| Increase in inventories | | (0.7) | (0.5) |
| Increase in trade and other payables | | 22.5 | 12.8 |
| (Decrease) / increase in accruals | | (7.6) | 11.8 |
| Cash flows generated from / (used in) operating activities | | 100.3 | 105.8 |
| Income tax paid | | (8.5) | (6.4) |
| Net cash flows generated from operating activities | | 91.8 | 99.4 |
| Cash flows generated from / (used in) investing activities | | | |
| Purchase of property, plant and equipment | | (54.8) | (62.1) |
| Purchase of intangible assets | | (6.6) | (6.1) |
| Net cash flows used in investing activities | | (61.4) | (68.2) |
| Cash flows generated from / (used in) financing activities | | | |
| Proceeds from borrowings | 18 | - | 160.8 |
| Interest and fees paid | | (26.1) | (26.9) |
| Repayment of borrowings | | - | (2.8) |
| Repayment of loan notes | 19 | - | (149.5) |
| Net cash flows used in financing activities | | (26.1) | (18.4) |
| Net increase in cash and cash equivalents | | 4.3 | 12.8 |
| Net foreign exchange difference | | (0.6) | 2.1 |
| Cash and cash equivalents at the start of the year | | 59.9 | 45.0 |
| Cash and cash equivalents at the end of the year | | 63.6 | 59.9 |

* Certain prior year financial information has been restated. Refer to Note 2 & 31 for further details.

The notes on pages 27 to 60 form part of these consolidated financial statements.

PAM Group Limited

Notes to the Consolidated Financial Statements

1. General Information

PAM Group Limited (the “Company”) is a company incorporated and domiciled in the UK. The Company’s registered office and principal executive office are located at 75b Verde, 10 Bressenden Place, London, SW1E 5DH.

The financial statements consolidate those of the Company and its subsidiaries (together referred to as the “Group”).

The Group’s principal activity is the retailing of food and drink for which the key markets are detailed in Note 6.

These consolidated financial statements were authorised for issue by the Company’s Board of Directors on 24 May 2018.

2. Basis of Preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IASB”) and as adopted by the European Union.

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 2017 financial statements have been drawn up for the 52 weeks ended 28 December 2017 (2016: 52 weeks ended 29 December 2016).

Restatement

The Group has identified adjustments relating to the previously issued consolidated financial statements for the period ended 29 December 2016. Accordingly, the Group has restated its previously issued Consolidated Statement of Profit or Loss, Consolidated Statement of Comprehensive Income or Loss, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Cash Flow Statement in accordance with IAS 8. In the process of adjusting for material restatements, the Group has also made quantitatively immaterial, but qualitatively material adjustments to financial statement line items for prior periods. The material restatement adjustments are described in Note 31 and the impact on financial statement items is reflected and quantified.

Going Concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will continue in operational existence for the foreseeable future.

At 28 December 2017, the Group had a total deficit of £300.3 million (2016: £276.2 million).

Management’s opinion that the Group will be able to generate sufficient cash to meet its day-to-day working capital requirements and fund capital expansion is supported by the available unutilised financing facilities and forecasts that cover at least the next eighteen months.

PAM Group Limited and many of its subsidiary undertakings are guarantors to the PAM Group Limited banking facilities which mature in 2022 (Note 27). Management do not foresee a future deterioration in Pret’s creditworthiness to the extent that it would prevent it from refinancing in advance of these maturities. In addition to this, non-current liabilities include shareholder-owned redeemable preference shares totalling £238.0m that accrue a non-cash dividend and are only payable at the point of sale, liquidation or quotation. Consequently, the ability to continue as a going concern or the ability to repay shall be addressed as part of such events and are not currently viewed as having a significant impact on the preparation of these consolidated financial statements on a going concern basis.

Therefore, it is the Directors’ opinion that the consolidated financial statements should be prepared on a going concern basis.

Measurement Convention

The consolidated financial statements are prepared on the historical cost basis with the exception of derivative financial instruments which are stated at their fair value.

PAM Group Limited

Notes to the Consolidated Financial Statements (continued)

3. Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by all subsidiaries.

3.1. Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements using the acquisition method from the date that control commences until the date that control ceases.

3.2. Foreign Currencies

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Consolidated Statement of Profit or Loss except for intercompany loans designated as equity which are reported as an item of other comprehensive income and accumulated in the Foreign Currency Translation Reserve.

The assets and liabilities of foreign operations, including foreign-denominated adjustments arising on consolidation, are translated to the Group's presentational currency (sterling) at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the period where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the Foreign Currency Translation Reserve.

3.3. Intangible Assets

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 any impairment in value. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment or if events or changes in circumstances indicate that the carrying value may not be recoverable.

Other intangibles

Other intangibles include lease assets related to payments to a landlord or tenant to acquire the rights of tenancy under a commercial property lease in France (referred to as "Key money"). It is expected that these amounts would be recovered upon exit of the lease and therefore represent future economic benefits. The carrying value of other intangible assets is tested for impairment annually or if events or changes in circumstances indicate that the carrying value may not be recoverable.

Software and licenses

Software and licenses are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the Consolidated Income Statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

| Asset Class | Depreciation Policy |
|-----------------------|------------------------------|
| Other | Over the period of the lease |
| Software and Licenses | 33-100% Straight Line |

PAM Group Limited

Notes to the Consolidated Financial Statements (continued)

3. Accounting Policies (continued)

3.4. Impairment

Carrying values are reviewed for impairment if events indicate that the carrying value of the asset may not be recoverable. If such an indicator exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. An asset's recoverable amount is the greater of the fair value less costs to sell, and the value in use. In assessing value in use, the estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the smallest cash-generating unit to which the asset belongs. Impairment losses, and any reversal of such losses, are recognised in the Consolidated Income Statement.

3.5. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items.

Depreciation is charged to the Consolidated Income Statement to write off cost less estimated residual value of an item of property, plant and equipment. The estimated useful lives and depreciation methods are as follows:

| Asset Class | Depreciation Policy |
|------------------------------------|------------------------------|
| Short leasehold land and buildings | Over the period of the lease |
| Fixtures and fittings | 17-33% straight line |
| Computer equipment | 20-33% straight line |

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Depreciation on new shops is charged from the shop opening date.

General contributions towards fit out costs received from landlords are deemed to be lease incentives and as such are deferred and subsequently released over the life of the lease as a component of the total rental expense.

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

3.6. Derivative financial instruments

Derivative financial instruments are measured at fair value and gains or losses are recognised through the Consolidated Income Statement.

3.7. Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised at trade date at their nominal amount less any impairment losses and provisions for bad debts.

Trade and other payables

Trade and other payables are recognised at face value. All trade and other payables are expected to be short term and therefore no discounting of future cash flow is appropriate. The fair value of trade and other payables approximate the carrying value.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Cash, for the purpose of the Consolidated Cash Flow Statement, comprises cash at bank and in hand and deposits repayable on demand, less overdrafts payable on demand.

PAM Group Limited

Notes to the Consolidated Financial Statements (continued)

3. Accounting Policies (*continued*)

Interest-bearing borrowings

Interest-bearing borrowings are recognised at amortised cost plus accumulated unpaid interest costs incurred.

Purchase 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 cost of assets acquired.

3.8. Inventories

Inventories consist of ingredients and goods purchased for resale and are stated at the lower of cost and net realisable value. Cost is based on the purchase price and includes expenditure incurred in acquiring the inventories and other costs in bringing them to their existing location and condition.

3.9. Employee benefits

Defined contribution plans

The Group operates a defined contribution pension plan under which the Group pays fixed contributions, and which are recognised as an expense in the Consolidated Income Statement as incurred. The Group has no further payment obligations once the contributions have been paid.

Share-based payment transactions

Some employees of the Group have been granted certain classes of ordinary shares in the Company. In the consolidated financial statements, the fair value of the shares acquired is recognised as an employee expense with a corresponding increase in equity in accordance with IFRS 2.

The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the fair value of the shares. The fair value of the shares acquired is measured using a Black Scholes options pricing model, taking into account the terms and conditions upon which the shares were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions that are expected to be met after taking into account estimated forfeitures, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date.

3.10. Provisions

A provision is recognised in the Consolidated Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.11. Preference shares

In accordance with IAS 32, Financial Instruments: Presentation, the redeemable preference shares issued by the Group are treated as debt rather than equity. Management makes an assessment of such instruments as at the point of issuance and made this determination because they are in substance a contractual obligation to deliver cash at a future date; an event deemed to be more than likely at the time of issuance.

Where any such instrument so classified takes the legal form of the company's own shares, the amounts presented in these consolidated financial statements for called up share capital and share premium account exclude amounts in relation to those shares. Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges.

3.12. Own shares held by employee benefit trust

Transactions of the Company-sponsored employee benefit trust are treated as being those of the Group and are therefore reflected in the consolidated financial statements. In particular, the Trust's purchases and sales of shares in the Company are recognised in equity.

3.13. Revenue

Retail Sales

Revenue includes the amount of goods sold less discounts, returns and allowances, excluding value added tax and other sales taxes, and is recognised at point of sale.

PAM Group Limited

Notes to the Consolidated Financial Statements (continued)

3. Accounting Policies (*continued*)

Franchise royalty fee (Partnership sales)

Franchise royalty fee income, generally calculated as a percentage of sales, is recognised on an accruals basis in accordance with the relevant agreement.

3.14. Expenses

Operating lease payments

Payments made under operating leases are recognised in the Consolidated Income Statement on a straight-line basis over the term of the lease. Lease incentives received, and premiums paid are recognised in the Consolidated Income Statement as an integral part of the total lease expense and are therefore also recognised on a straight-line basis over the term of the lease.

Financing income and expenses

Financing expenses comprise interest payable, finance charges on shares classified as liabilities, and unwinding of the discount on provisions. Financing income comprises interest receivable on funds invested.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method.

Foreign currency gains and losses are reported on a net basis as finance income or expense.

3.15. Income taxes

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the Consolidated Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for:

- the initial recognition of goodwill;
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduces to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3.16. Non-recurring items

Non-recurring items comprise material items of income and expense which are not considered by management to be part of the normal operations of the Group.

3.17. Alternative Performance Measures

In the reporting of financial information, the Directors use various alternative performance measures ("APMs") which they believe provide additional useful information for understanding the financial performance of the Group. These measures are not defined by International Financial Reporting Standards ("IFRS") and therefore may not be directly comparable with other companies' APMs, including those in the Group's industry. APMs should be considered in addition to IFRS measurements and are not intended to be a substitute for, or superior to those.

Like-for-like sales – this is a widely used indicator of a retailer's current trading performance. It is a measure of revenue for all company-managed shops which have traded for 52 weeks or more.

PAM Group Limited

Notes to the Consolidated Financial Statements (continued)

3. Accounting Policies (*continued*)

Underlying operating profit – this measure uses statutory operating profit, with the following items added back: impairment of property, plant and equipment; onerous lease provision costs; share-based payment expenses; and non-recurring items (as disclosed in Note 7). In the year, the Group has changed the definition of underlying operating profit to add back onerous lease provision costs and share-based payment expenses to align with the way in which management reviews business performance internally. Comparative values have been restated accordingly.

Underlying EBITDA – this is the headline measure of the Group's performance. It is underlying operating profit with depreciation, amortisation and loss on disposal of property, plant and equipment added back. As a result of a change in definition of underlying operating profit (as described above), underlying EBITDA in the comparative year has been represented.

4. Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

4.1. Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

4.1.1. *Non-financial assets impairment testing*

Impairment reviews performed by management require numerous judgements and estimates including a forecast of future cash flows and judgements surrounding the appropriate discount rates to apply. See Accounting policies and Notes 11 and 12 for further details.

4.1.2. *Redeemable preference shares treatment as debt*

At the point of issuance, management has assessed whether these instruments are debt or equity in nature. Since they are in substance a contractual obligation to deliver cash at a future date - an event deemed to be more than likely at the time of issuance - they have been treated as debt.

4.1.3. *Operating versus finance lease*

At inception of each lease, the terms and conditions of the arrangements are evaluated to assess whether they constitute a major part of the economic life of the assets and whether the present value of the minimum lease payments amount to substantially all of the fair value of the commercial property.

Where there is no evidence of this, management concludes that all the significant risks and rewards of ownership do not transfer to the Group and these leases are accounted for as operating leases.

4.1.4. *Non-recurring items*

Management exercises its judgement as to what items should be disclosed as non-recurring in the notes to the consolidated financial statements. In highlighting these items, management is assessing the one-off nature and quantum of these items with a view to articulating their opinion of the underlying performance of the Group.

4.1.5. *Share based payment expense – vesting period*

Management has had to assess the probability of an exit event to enable it to calculate the period over which the share-based payment expense should be spread. Factors including the length of time which our private equity owners have been invested in us are taken into account to come to an outcome.

Revisions to this judgement in the year have led to a decrease in share-based compensation expense of £1.5 million versus the former profile.

4.2. Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are described below. The Group based its assumptions and estimates on information available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

PAM Group Limited

Notes to the Consolidated Financial Statements (continued)

4. Significant accounting judgements, estimates and assumptions (*continued*)

4.2.1 *Share-based payment valuations*

No new grants have been made in the year, so no new valuations have been performed during the period.

In prior years, the Company has granted equity-settled share-based awards to employees of the Group, in the form of ordinary shares and restricted ordinary share units. The Group receives services from employees as consideration for the awards. The fair value of the cost of these services is determined as of the grant date and recognised as an expense over the period in which the services are rendered.

Since certain of the share-based awards vest on an investor exit event then management must make an estimate of the likely timing of such an event to derive the period over which the expense should be spread.

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant.

The Group uses a Black Scholes option pricing model for which the key assumptions used for estimating fair value are disclosed in Note 24. The starting point for the valuation is a valuation of the Group using an appropriate multiple, which as a private company involves significant judgement and estimation including the selection of appropriate peer groups. Additional estimations made in the course of valuing the share-based payments include those around the expected vesting period or life including probability and timing of an exit event, discounts for private company ownership, volatility and dividend yield. The application of the Black Scholes option pricing model to the equity awards also involves judgement including utilising the expected value of debt and preference share obligations as the exercise price above which the share is entitled to equity returns.

The Group does not have any cash-settled share-based transactions with employees.

4.2.2 *Tax*

The Group calculates an income tax provision in each of the jurisdictions in which it operates. However, actual amounts of income tax expense only become final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements. Additionally, estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions before they expire against future taxable income. The assessment is based upon existing tax laws and estimates of future taxable income. To the extent estimates differ from the final tax return, earnings would be affected in a subsequent period.

4.2.3 *Provisions*

Provisions have been made for onerous leases, restructuring and for legal costs relating to disputes. These provisions are estimates and the actual costs and timing of future cash flows are dependent on future events and market conditions.

Any difference between expectations and the actual future liability will be accounted for in the period when such determination is made.

5. New Standards and Interpretations

A number of new accounting standards and interpretations have been implemented in the period or will be implemented in future periods. The salient features of what the Group believes is major new guidance is detailed below along with the impact on the Group.

IFRS 16 *Leases* is expected to have a significant impact on the reported assets, liabilities and income statement of the Group, as well as classification of cash flows related to lease contracts. The Group has a project team currently collecting the necessary data and performing an impact assessment. Ahead of the completion of this impact assessment, it is not practical to provide a reasonable estimate of the financial effect of IFRS 16.

IFRS 9 *Financial Instruments* and IFRS 15 *Revenues from Contracts with Customers* are not expected to have a material impact on the Group.

Due to the Group's year end not falling precisely on 31 December each year (see Note 2), and the mandatory adoption of new standards and interpretations generally occurring for annual periods from 1 January, the application of major new guidance may occur later for the Group than its peers as noted below.

PAM Group Limited

Notes to the Consolidated Financial Statements (continued)

PAM Group Limited

Notes to the Consolidated Financial Statements (continued)

6. Segment Analysis

Segment Information

The Chief Executive Officer is considered to be the “Chief Operating Decision Maker” of the Group in the context of the IFRS 8 definition. The Group segments its retail operations under the geographical location in which they reside, namely the United Kingdom, the USA, Hong Kong, France and China. In addition to retail revenues, the Group generates revenues from franchise royalties.

For the purposes of IFRS 8, the Reportable Segments are the United Kingdom, and the USA, comprising in aggregate 92% of Group Revenue (2016: 93%). The segmentation between retail revenues and franchise royalty fee (2017: £3 million, 2016: £1.8 million) is not considered sufficiently significant to be a “Reportable Segment” in the context of IFRS 8.

Income, expenditure, assets and liabilities managed on a Group-wide basis have not been allocated to segments.

| Year ended 28 December 2017 | UK | US | Rest of world | Group |
|---|---------|--------|---------------|---------|
| Group | £m | £m | £m | £m |
| Revenue | 635.7 | 172.8 | 70.0 | 878.5 |
| Operating profit / (loss) | 56.8 | (17.3) | (0.3) | 39.2 |
| Add: Impairment of PPE and onerous lease provisions | 0.7 | 5.8 | - | 6.5 |
| Add: Non-recurring items | 6.6 | 0.1 | - | 6.7 |
| Add: Share based payment expense | 1.7 | 0.2 | 0.1 | 2.0 |
| Underlying operating profit / (loss) | 65.8 | (11.2) | (0.2) | 54.4 |
| Add: Depreciation, amortisation & loss on disposal of PPE | 31.2 | 10.2 | 3.3 | 44.7 |
| Underlying EBITDA | 97.0 | (1.0) | 3.1 | 99.1 |
| Net (liabilities) / assets | (227.4) | (71.7) | (1.2) | (300.3) |

| Year ended 29 December 2016 (restated) | UK | US | Rest of world | Group |
|---|---------|--------|---------------|---------|
| Group | £m | £m | £m | £m |
| Revenue | 574.0 | 148.2 | 53.9 | 776.1 |
| Operating profit / (loss) | 55.1 | (8.6) | (2.3) | 44.2 |
| Add: Impairment of PPE and onerous lease provisions | 2.5 | 2.6 | (0.1) | 5.0 |
| Add: Non-recurring items | 1.8 | 0.8 | - | 2.6 |
| Add: Share based payment expense | 3.5 | - | - | 3.5 |
| Underlying operating profit / (loss) | 62.9 | (5.2) | (2.4) | 55.3 |
| Add: Depreciation, amortisation & loss on disposal of PPE | 27.8 | 8.7 | 2.5 | 39.0 |
| Underlying EBITDA | 90.7 | 3.5 | 0.1 | 94.3 |
| Net (liabilities) / assets | (235.2) | (51.9) | 10.9 | (276.2) |

PAM Group Limited

Notes to the Consolidated Financial Statements (continued)

7. Non-recurring and other costs

Included in the loss for the period are the following non-recurring items:

| Group | 2017 £m | 2016 £m |
|--|------------|------------|
| IPO readiness costs | 6.6 | - |
| Staff payments | - | 1.8 |
| Legal and other costs | 0.1 | 0.8 |
| Total Non-Recurring and Other Costs | 6.7 | 2.6 |

IPO readiness fees of £6.6 million in 2017 represent one-off advisory fees incurred in connection with a potential listing and reorganisation of the capital structure of the Group, of which a proportion are not expected to be deductible for corporation tax purposes. £5.4 million was paid during the year.

The staff payments of £1.8 million in 2016 represented a non-recurring payment made in November 2016 to reward long service employees following a refinancing transaction. This cost is tax deductible at the standard rate of UK tax.

Legal and other costs in the prior year relate to provisions made for material contractual disputes and other litigation. These are discussed further in Note 20.

Operating profit is stated after charging:

| Group | 2017 £m | 2016 restated £m |
|---|------------|------------------------|
| Expenses | | |
| Depreciation and amortisation | 44.0 | 36.9 |
| Loss on disposal of property, plant and equipment and intangible assets | 0.7 | 2.1 |
| Impairments of property, plant and equipment and intangible assets | 6.4 | 3.7 |
| Operating lease rentals – land and buildings | 90.0 | 73.7 |
| Operating lease rentals – contingent rent | 25.7 | 21.5 |
| Operating lease rentals – sublet lease expense | 1.7 | 1.1 |
| Amounts recognised in relation to defined contribution pension schemes | 1.8 | 1.6 |

The following fees for audit and non-audit services were payable to Ernst & Young LLP for the year ended 28 December 2017 (2016: KPMG LLP).

| Group | 2017 £m | 2016 £m |
|---|------------|------------|
| The audit of the Group and its subsidiaries | 0.5 | 0.1 |
| Tax compliance services | - | 0.2 |
| Tax advisory services | - | 0.4 |
| Services in relation to IPO readiness | 1.9 | 0.3 |
| Total | 2.4 | 1.0 |

PAM Group Limited

Notes to the Consolidated Financial Statements (continued)

8. Directors and Employees

Staff costs during the year were as follows:

| Group | 2017 £m | 2016 £m |
|-----------------------|--------------|--------------|
| Wages and salaries | 221.5 | 191.1 |
| Social security costs | 19.7 | 16.3 |
| Total | 241.2 | 207.4 |

| Group | 2017 £m | 2016 £m |
|---|------------|------------|
| Directors' emoluments consists of: | | |
| Remuneration for management services | 1.7 | 2.0 |
| Highest paid Director | | |
| Remuneration for management services | 0.6 | 0.5 |

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

| Group | 2017 Number | 2016 Number |
|------------------------|----------------|----------------|
| Management | 1,543 | 1,331 |
| Sales and distribution | 10,256 | 9,095 |
| Total | 11,799 | 10,426 |

The wages and salaries and monthly average employee numbers by segment were as follows:

| Group | 2017 £m | 2017 Number | 2016 £m | 2016 Number |
|--------------------------|--------------|----------------|--------------|----------------|
| United Kingdom | 161.3 | 8,581 | 143.0 | 7,850 |
| United States of America | 43.9 | 2,345 | 35.3 | 1,854 |
| Rest of World | 16.3 | 870 | 12.8 | 722 |
| Total | 221.5 | 11,796 | 191.1 | 10,426 |

PAM Group Limited

Notes to the Consolidated Financial Statements (continued)

9. Finance costs and shareholder liabilities

| Group | 2017 £m | 2016 restated £m |
|--|-------------|------------------------|
| Bank and other interest | 24.7 | 20.9 |
| Amortisation of bank debt financing fees (Note 18) | 1.6 | 7.5 |
| Amortisation of shareholder liabilities financing fees | - | 0.3 |
| Net loss / (gain) on derivatives | 0.5 | (0.4) |
| Total finance costs | 26.8 | 28.3 |
| <i>Interest on Shareholder Liabilities:</i> | | |
| Loan note interest | - | 13.2 |
| Redeemable preference share dividends (Note 19) | 25.5 | 22.6 |
| Total interest on shareholder liabilities | 25.5 | 35.8 |

Bank and other interest comprises amounts paid and payable to banks in respect of facility borrowings. This is in addition to costs incurred in maintaining financing facilities such as credit rating fees and commitment fees payable to lenders. Amortisation of bank debt financing fees of £7.5m in 2016 contains fees of £7.3 million for the arrangement of the former 2013 facilities which were written off upon completion. The loan notes were repaid in 2016 so no interest was incurred paid in the current year. Details of borrowings are outlined in Note 18.

10. Income Taxes

a) Tax recognised in the Consolidated Statements of Profit or Loss

| Group | 2017 £m | 2016 restated £m |
|--|-------------|------------------------|
| UK corporation tax - current tax on income for the period | 8.9 | 5.3 |
| Foreign tax - current tax on income for the period | 0.6 | 0.6 |
| UK corporation tax – adjustments to prior period estimates | 0.4 | (0.5)a |
| Total current tax expense | 9.9 | 5.4 |
| Origination and reversal of temporary differences | 0.3 | (1.4) |
| Deferred tax – adjustment to prior period estimate | 1.5 | 0.3 |
| Total deferred tax expense | 1.8 | (1.1) |
| Total tax expense recognised in the statement of profit or loss | 11.7 | 4.3 |

PAM Group Limited

Notes to the Consolidated Financial Statements (continued)

10. Income Taxes (continued)

b) Reconciliation of Effective Tax Rate

The effective rate of tax for the period differs to the standard rate of UK Corporation Tax of 19.25% (2016: 20.00%). This is predominantly a result of non-cash charges, which are presented within the profit or loss account but are not tax deductible.

| Group | 2017 £m | 2016 restated £m |
|---|-------------|------------------------|
| Loss before tax | (13.1) | (19.9) |
| Loss on ordinary activities at standard rate of UK tax of 19.25% (2016: 20.00%) | (2.5) | (4.0) |
| Expenses not deductible for tax purposes | 6.1 | 3.9 |
| Temporary differences not recognised | - | (1.4) |
| De-recognition of previously recognised deferred tax | 0.3 | - |
| Impact of change in tax rates | - | (0.1) |
| Impact of rate change between deferred and current tax | - | 0.3 |
| Prior year current and deferred tax | 1.9 | 0.4 |
| Redeemable Preference Share Dividends | 4.9 | 4.5 |
| Current year recognition of previously unrecognised deferred tax | 0.1 | - |
| Losses not Recognised | 0.6 | 0.8 |
| Difference in overseas tax rate | 0.3 | (0.1) |
| Total tax charge | 11.7 | 4.3 |

The majority of expenses not deductible for tax purposes relate to depreciation on non-current assets that fail to qualify under the UK capital allowance regime.

c) Factors Affecting the Future Tax Charges

A reduction in the UK corporation tax rate from 20% to 19% became effective from 1 April 2017. A further reduction to 18% (effective 1 April 2020) was substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Group's future current tax charge accordingly.

PAM Group Limited

Notes to the Consolidated Financial Statements (continued)

11. Property, Plant and Equipment

| Group | Short leasehold land and building £m | Fixtures and fittings £m | Computer Equipment £m | Total £m |
|--|---|--------------------------------|-----------------------------|-------------|
| Cost | | | | |
| Balance at 31 December 2015 (restated) | 162.5 | 109.1 | 8.8 | 280.4 |
| Additions | 37.0 | 20.3 | 1.9 | 59.2 |
| Disposals | (49.4) | (55.6) | (6.0) | (111.0) |
| Transfers | 0.1 | - | - | 0.1 |
| Exchange differences | 11.8 | 7.0 | 1.0 | 19.8 |
| At 29 December 2016 (restated) | 162.0 | 80.8 | 5.7 | 248.5 |
| Additions | 35.3 | 22.4 | 2.3 | 60.0 |
| Disposals | (2.1) | (1.3) | - | (3.4) |
| Exchange differences | (5.4) | (4.2) | (0.5) | (10.1) |
| At 28 December 2017 | 189.8 | 97.7 | 7.5 | 295.0 |
| Depreciation and Impairment | | | | |
| Balance at 31 December 2015 (restated) | 71.6 | 61.7 | 5.4 | 138.7 |
| Charge for the period | 16.0 | 17.3 | 1.7 | 35.0 |
| Disposals | (48.0) | (54.9) | (6.0) | (108.9) |
| Impairment | 2.7 | 1.0 | - | 3.7 |
| Exchange differences | 4.5 | 3.5 | 0.7 | 8.7 |
| At 29 December 2016 (restated) | 46.8 | 28.6 | 1.8 | 77.2 |
| Charge for the period | 18.4 | 21.2 | 0.9 | 40.5 |
| Disposals | (1.7) | (1.0) | - | (2.7) |
| Impairment | 4.6 | 1.8 | - | 6.4 |
| Exchange differences | (2.9) | (1.9) | (0.4) | (5.2) |
| At 28 December 2017 | 65.2 | 48.7 | 2.3 | 116.2 |
| Net book value | | | | |
| At 29 December 2016 (restated) | 115.2 | 52.2 | 3.9 | 171.3 |
| At 28 December 2017 | 124.6 | 49.0 | 5.2 | 178.8 |

Included within Property, Plant and Equipment are amounts relating to assets under construction, totalling £5.2million (2016: £5.0 million).

Property, plant and equipment is reviewed for impairment in accordance with the accounting policies set out in Note 3.

Where indicators of impairment are present, impairment testing is performed where the recoverable amounts for cash-generating units, identified as the shop level, are determined by taking the higher of the value in use or the fair value less costs to sell. As the majority of the Group's Property, Plant and Equipment are leasehold improvements, fair value less cost to sell is not readily obtainable. Value in use is generally calculated from cash flow projections using data from the Group's latest internal forecast, the results of which are reviewed by the Board.

The key assumptions for the value in use calculations are those regarding discount rates, growth rates and expected changes in margins.

The pre-tax discount rates used to calculate value in use were 5.5% (2016: 7.7%).

PAM Group Limited

Notes to the Consolidated Financial Statements (continued)

11. Property, Plant and Equipment *(continued)*

A net impairment loss of £6.4 million (2016: £3.7 million) has been recognised in the period, largely reflecting normal fluctuations in the economic environment impacting shop level performance when compared against initial investment cases. These losses and reversals have been presented net at an operating segment level to reflect the underlying trends in the businesses.

12. Intangible Assets

| Group | Goodwill | Software and License | Other | Total |
|--|--------------|----------------------|------------|--------------|
| | £m | £m | £m | £m |
| Cost | | | | |
| Balance at 31 December 2015 (restated) | 327.1 | 13.2 | 1.9 | 342.2 |
| Additions | - | 6.1 | - | 6.1 |
| Exchange differences | - | 0.1 | 0.3 | 0.4 |
| At 29 December 2016 (restated) | 327.1 | 19.4 | 2.2 | 348.7 |
| Additions | - | 5.5 | 1.1 | 6.6 |
| Exchange differences | - | (0.1) | - | (0.1) |
| At 28 December 2017 | 327.1 | 24.8 | 3.3 | 355.2 |
| Amortisation and Impairment | | | | |
| Balance at 31 December 2015 (restated) | 93.9 | 8.0 | 0.3 | 102.2 |
| Charge for the period | - | 1.9 | - | 1.9 |
| At 29 December 2016 (restated) | 93.9 | 9.9 | 0.3 | 104.1 |
| Charge for the period | - | 3.5 | - | 3.5 |
| At 28 December 2017 | 93.9 | 13.4 | 0.3 | 107.6 |
| Net book value | | | | |
| At 29 December 2016 (restated) | 233.2 | 9.5 | 1.9 | 244.6 |
| At 28 December 2017 | 233.2 | 11.4 | 3.0 | 247.6 |

Other intangible assets relate to key money payments to acquire leases in France and are tested for impairment annually. It is expected that these amounts would be recovered from the next tenant upon exit of the lease and therefore represent future economic benefits. No impairments have been recognised in 2017 (2016: nil).

The value of Goodwill was tested for impairment during the current financial period by means of comparing the recoverable amount of the group of cash generating units (CGUs) with the carrying value of its goodwill. The calculation of value in use is calculated on the cash flows expected to be generated by the stores using the latest budget and forecast data. Board approved cash flow projections for five years are used and then extrapolated out assuming flat cash flows and discounted at a pre-tax rate of 8.0% (2016: 7.7%).

Based on the operating performance of the CGUs, no impairment of goodwill was identified in the current financial period (2016: none). The valuations indicate sufficient headroom such that a reasonably possible change to key assumptions would not result in any impairment of goodwill. Sensitivity analysis has been performed. Management are satisfied that there are no changes to assumptions that would lead to impairment.

PAM Group Limited

Notes to the Consolidated Financial Statements (continued)

13. Deferred tax

Deferred taxation provided in the consolidated financial statements is calculated at a rate of 17% (2016: 17%) and is set out below:

| Group | 2017 £m | 2016 restated £m |
|--|--------------|------------------------|
| Provisions | - | 0.1 |
| Derivative financial instruments | - | 0.3 |
| Difference between depreciation and capital allowances | (0.9) | 0.5 |
| Foreign exchange | (1.1) | (2.1) |
| Deferred tax liability | (2.0) | (1.2) |

The Group offsets tax assets and liabilities only if it has a legally enforceable right to offset current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

| Group | 2017 £m | 2016 restated £m |
|---|--------------|------------------------|
| Current and deferred tax (credit) / charge in respect of foreign exchange movements | (1.6) | 2.8 |
| Tax (credit) / charge on items recognised in other comprehensive income | (1.6) | 2.8 |

The Group has losses in the jurisdictions in which we are investing in new markets and for which deferred tax assets have not been recognised - namely the US, France and China. Deferred tax assets for the following losses have not been recognised based on current available evidence as to the timing of recoverability of those assets. There are no unused tax losses in the UK. US losses are claimable up to 20 years, there are no expiry dates for the Group to use French losses, and Chinese tax losses can be deducted within 5 years.

| Group | 2017 £m | 2016 restated £m |
|--|-------------|------------------------|
| Within one year | - | - |
| Between two and five years | 3.2 | 1.8 |
| After five years | 10.9 | 15.4 |
| No expiry | 4.9 | 4.4 |
| Losses for which deferred tax assets have not been recognised | 19.0 | 21.6 |

14. Other non-current assets

| Group | 2017 £m | 2016 restated £m |
|--------------------------|------------|------------------------|
| Other non-current assets | 7.9 | 6.0 |

Other non-current assets include deposits held by landlords and lease premiums.

PAM Group Limited

Notes to the Consolidated Financial Statements (continued)

15. Inventories

| Group | 2017 £m | 2016 restated £m |
|----------------------------------|------------|------------------------|
| Ingredients and goods for resale | 3.5 | 2.9 |

16. Trade and other receivables

| Group | 2017 £m | 2016 restated £m |
|-------------------|------------|------------------------|
| Trade receivables | 2.0 | 1.5 |
| Other receivables | 5.9 | 4.2 |
| Total | 7.9 | 5.7 |

Trade receivables mostly consist of corporate accounts. Other receivables primarily include deposits, restricted cash and meal vouchers.

17. Trade and other payables

| Group | 2017 £m | 2016 restated £m |
|---------------------------------|-------------|------------------------|
| Trade payables | 38.3 | 22.5 |
| Other taxes and social security | 13.5 | 11.7 |
| Other payables | 6.0 | 6.1 |
| Total | 57.8 | 40.3 |

18. Long term borrowings

| Group | 2017 £m | 2016 restated £m |
|--|--------------|------------------------|
| Redeemable preference shares (Note 19) | 238.0 | 212.5 |
| Bank loans (net of capitalised financing fees) | 457.7 | 457.2 |
| Total | 695.7 | 669.7 |

Bank loans repayable are analysed as follows at the balance sheet date:

| Group | 2017 £m | 2016 restated £m |
|----------------------------|--------------|------------------------|
| Between two and five years | 463.0 | - |
| After five years | - | 463.0 |
| Bank loans (gross) | 463.0 | 463.0 |
| Capitalised financing fees | (5.3) | (5.8) |
| Bank loans (net) | 457.7 | 457.2 |

PAM Group Limited

Notes to the Consolidated Financial Statements (continued)

18. Long term borrowings (*continued*)

Interest is paid on bank loans at LIBOR + 3.50 – 4.00% and are disclosed as non-current liabilities - long term borrowings as they mature in 2022.

In October 2016, the Group increased its loan facilities to £573.0 million, of which £463.0 million was drawn on completion. The additional borrowings of £160.8 million were used to repay the Senior Facility A, Capex Facility, and Loan Notes. £6.0 million of costs associated with this refinancing were capitalised at the time and are being amortised over the life of the amended facility. Fees of £7.3 million for the arrangement of the former 2013 facilities were written off upon completion.

In May 2017, the Group repriced its bank debt and reduced its margin by 75 to 100 bps across all facilities. The additional fee of £1.0 million was capitalised and is being amortised over the life of the facility. Since this was a price adjustment and all other terms of the facilities remained the same, there has been no change to the treatment of the fees capitalised and amortised from the October 2016 refinancing.

Bank borrowings are partially protected by an interest rate cap from 28 February 2017 until 28 February 2019, which at year end caps LIBOR at 1.00% on £347.3m of the facility (2016: £64.4 million).

At 29 December 2016, £289.2 million of borrowings were subject to an interest rate cap that capped LIBOR at 2.15% from 31 August 2016 until 30 November 2017, and followed the amortisation profile of the previous Senior Facility A and B.

Prior to 31 August 2016, the Group's Senior Facility A and Senior Facility B were protected by an interest rate swap fixing LIBOR at 0.8955%.

Bank loans are secured by cross guarantees and debentures given by:

- PAM Group Limited,
- PAM Subco Limited,
- PAM Acquisitionco Limited,
- Pret A Manger (Europe) Limited,
- Pret A Manger (Hong Kong) Limited,
- Pret (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, Property, Plant and Equipment, property, receivables, insurance policies, certain contracts and claims, intellectual property and bank accounts. At 28 December 2017, Group borrowings covered by the guarantee amounted to £463.0 million (2016: £463.0 million).

The movement in long-term borrowings includes these of a non-cash nature, being the amortisation of capitalised financing fees of £1.6m (2016: £7.5m) and accruals for redeemable preference share dividends (as per Note 19) of £25.5m (2016: £22.6m).

19. Shareholder liabilities

Shareholder liabilities repayable represent redeemable preference shares and are included within Loans and Borrowings (Note 18). Amounts shown as redeemable preference shares reconcile to the called-up preference share capital set out in Note 22 as follows:

| Group | 2017 £m | 2016 restated £m |
|-------------------------------------|--------------|------------------------|
| Redeemable preference shares | 78.8 | 78.8 |
| Accrued preference share dividends: | | |
| At start of year | 133.7 | 111.1 |
| Accrued preference share dividend | 25.5 | 22.6 |
| At end of year | 159.2 | 133.7 |
| Total | 238.0 | 212.5 |

PAM Group Limited

Notes to the Consolidated Financial Statements (continued)

19. Shareholder liabilities (*continued*)

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.

At the point of issuance, management assessed these instruments to be debt in nature rather than equity since they were in substance a contractual obligation to deliver cash at a future date; an event deemed to be more than likely at that time.

20. Provisions

| Group | Onerous leases £m | Legal and other £m | Total £m |
|--------------------------------|----------------------|-----------------------|-------------|
| At 31 December 2015 (restated) | 0.4 | 0.4 | 0.8 |
| Created during the period | 1.3 | 1.4 | 2.7 |
| Utilised during the period | (0.7) | (0.2) | (0.9) |
| Exchange differences | 0.1 | 0.1 | 0.2 |
| At 29 December 2016 (restated) | 1.1 | 1.7 | 2.8 |
| Created during the period | 0.6 | 1.1 | 1.7 |
| Released during the period | (0.5) | (1.2) | (1.7) |
| Utilised during the period | - | (0.2) | (0.2) |
| Exchange differences | - | (0.1) | (0.1) |
| At 28 December 2017 | 1.2 | 1.3 | 2.5 |

| Disclosed as: | 2017 £m | 2016 restated £m |
|--------------------------------------|------------|------------------------|
| Current liabilities – provisions | 2.0 | 0.2 |
| Non-current liabilities – provisions | 0.5 | 2.6 |
| | 2.5 | 2.8 |

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 and other provisions are in respect of legal claims and associated costs. In the year a provision was made for £0.8m for costs associated with employment litigation and a landlord dispute that were settled post year end. The increase of £1.4 million in 2016 is partially classified as a non-recurring item in Note 7 and relates to the provision of legal costs for a contractual dispute, of which £0.7m was released in the year following settlement.

21. Non-current other liabilities

| Group | 2017 £m | 2016 restated £m |
|--|------------|------------------------|
| Rent free periods and landlord contributions | 27.6 | 23.4 |

PAM Group Limited

Notes to the Consolidated Financial Statements (continued)

22. Share capital and reserves

a. Share capital

| Group and Company | 2017 | 2016 | 2017 | 2016 |
|--|-------------------|-------------------|------------|------------|
| Issued and fully paid | Number | Number | £m | £m |
| A Ordinary shares of £0.01 each | 1,925,000 | 1,925,000 | - | - |
| B Ordinary shares of £0.01 each | 16,800,000 | 16,800,000 | 0.2 | 0.2 |
| C Ordinary shares of £0.01 each | 1,000,000 | 1,000,000 | - | - |
| D Ordinary shares of £0.01 each | 191,541 | 200,541 | - | - |
| E Ordinary shares of £0.01 each | 100 | 100 | - | - |
| F Ordinary shares of £0.01 each | 100,000 | 100,000 | - | - |
| G Ordinary shares of £0.01 each | 100,000 | 100,000 | - | - |
| Deferred shares of £0.01 each | 93,498 | 84,498 | - | - |
| Total Ordinary shares - presented in equity | 20,210,139 | 20,210,139 | 0.2 | 0.2 |
| Redeemable Preference shares of £0.01 each | 78,816,617 | 78,816,617 | 0.8 | 0.8 |
| Total redeemable preference shares - presented in liabilities | 78,816,617 | 78,816,617 | 0.8 | 0.8 |

| Group and Company | 2017 | 2016 |
|--|-------------------|-------------------|
| Authorised | Number | Number |
| A Ordinary shares of £0.01 each | 1,925,000 | 1,925,000 |
| B Ordinary shares of £0.01 each | 16,800,000 | 16,800,000 |
| C Ordinary shares of £0.01 each | 1,000,000 | 1,000,000 |
| D Ordinary shares of £0.01 each | 425,000 | 425,000 |
| E Ordinary shares of £0.01 each | 100 | 100 |
| F Ordinary shares of £0.01 each | 100,000 | 100,000 |
| G Ordinary shares of £0.01 each | 100,000 | 100,000 |
| Deferred shares of £0.01 each | 275,000 | 275,000 |
| Total authorised ordinary shares | 20,625,100 | 20,625,100 |
| Redeemable preference shares of £0.01 each | 78,816,617 | 78,816,617 |
| Total authorised redeemable preference shares | 78,816,617 | 78,816,617 |

Dividend rights

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, F, G and Deferred Ordinary Shares have no entitlement to any dividend.

Voting rights

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, 1.375% of the total number of votes capable of being cast by the holders of A, B, C and D Ordinary Shares. The E Ordinary Shares carry the right to receive notice of general meetings of the Company but not the right to attend or vote at them. F and G Ordinary shares and Deferred shares have no voting rights.

PAM Group Limited

Notes to the Consolidated Financial Statements (continued)

22. Share capital and reserves (continued)

Restrictions and other rights

The A, F and G Shares are awarded to employees and carry restrictions on transfer and sale, and forfeiture clauses in the event of a holder ceasing employment. The grant of these shares are subject to IFRS 2 and are discussed more fully in Note 24.

The C Shares in aggregate 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.

The F and G shares entitle the holder of the share to a return of capital or conversion only subject to certain valuation conditions, as explained more fully in Note 24.

Further details on movements in shares in the period is provided within Note 24.

b. Own Share Reserve

The Group consolidates the position of an Employee Benefit Trust, the "Pret Employee Incentive Trust" (EBT) which holds shares in the PAM Group Limited on behalf of employees. These shares are classified in shareholders' equity as an 'Own Share Reserve' and are recognised at cost. No gain or loss is recognised in the Consolidated Statement of Profit or Loss on the purchase or sale of such shares. The Group will meet the expenses of the EBT as and when they fall due.

The EBT acquired 265,000 A Shares in 2015 for a consideration of £4.2 million from former employees to the company. Other such share acquisitions occurred at or close to nominal value.

During the year the EBT acquired 7,500 F Ordinary shares at their nominal value.

The EBT held the following shares which are classified within the own share reserve:

| Group and Company Issued and fully paid | 2017 Number | 2016 Number | 2017 £m | 2016 £m |
|--|----------------|----------------|------------|------------|
| A Ordinary shares | 320,000 | 320,000 | 4.2 | 4.2 |
| F Ordinary shares | 12,500 | 5,000 | - | - |
| G Ordinary shares | 29,500 | 29,500 | - | - |
| Total | | | 4.2 | 4.2 |

c. Foreign Currency Translation Reserve

The Foreign Currency Translation Reserve comprises all foreign exchange differences arising since the transition date to Adopted IFRSs, from the translation of the financial statements of foreign operations.

PAM Group Limited

Notes to the Consolidated Financial Statements (continued)

23. Financial instruments

(a) Fair values of financial instruments

Fair value hierarchy

The Group analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable input).

All financial assets and liabilities in these consolidated financial statements are considered Level 2 for the purposes of fair value assessment.

The carrying value of all financial assets and liabilities shown in the fiscal periods presented are not materially different from the fair values.

There are no Level 1 or Level 3 financial instruments. There have been no transfers between fair value levels during the periods.

Trade and other receivables

Trade and other receivables are carried at recoverable amount, less provisions for any amount where recovery is doubtful. All trade and other receivables are expected to be short term and therefore no discounting of value is appropriate.

Trade and other payables

Trade and other payables are carried at the face value payable. All trade and other payables are expected to be short term and therefore no discounting of future cash flow is appropriate. The fair value of trade and other payables approximate the carrying value.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated at its carrying amount.

Interest-bearing borrowings

Fair value, which, after initial recognition is determined for disclosure purposes only, is calculated based on the expected future cash outflows. The interest on bank borrowings is at market rates and as such the fair value approximates the carrying value. The group has assessed the fair value of other interest-bearing borrowings and are satisfied that the market rate of interest on similar borrowings is comparable.

Derivative financial instruments

The fair value of swap interest contracts are valued using information and estimates from financial institutions.

The fair value of the interest rate cap is based on market quotes. The interest rate cap is a level 2 fair value instrument in terms of the fair value hierarchy.

(b) Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions and from Group's receivables from customers.

The Group seeks to ensure that the banks used for the financing of the loan facilities and hedging purposes have an acceptable credit rating by independent credit rating agencies.

The Groups operations are principally retail and so the exposure to credit risk is minimal. The Group periodically reviews its receivables and makes appropriate allowances where recovery is deemed to be doubtful.

PAM Group Limited

Notes to the Consolidated Financial Statements (continued)

23. Financial Instruments (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's banking facilities are described in Note 18.

The Directors believe that the Group will be able to continue to meet its need for liquidity from these facilities. The Group monitors its headroom monthly, forecasts its cash flow on a monthly basis for approximately a year ahead, and monitors monthly exposure to banking covenants in order to ensure that there are no unforeseen liquidity problems.

The following are the contractual maturities of financial liabilities. In all instances, the carrying amounts reflect the contractual cash flows:

| Group | Carrying amount | 1 year or less | 1 to <2 years | 2 to <5 years | >5 years | Other | Total |
|---|-----------------|----------------|---------------|---------------|----------|--------------|--------------|
| 2017 | £m | £m | £m | £m | £m | £m | £m |
| Non-derivative financial instruments | | | | | | | |
| Secured bank loans | 463.0 | 21.1 | 20.9 | 515.3 | - | - | 557.3 |
| Shareholder liabilities | 238.0 | - | - | - | - | 238.0 | 238.0 |
| Trade and other payables | 57.8 | 57.8 | - | - | - | - | 57.8 |
| Accruals | 43.1 | 43.1 | - | - | - | - | 43.1 |
| | 801.9 | 122.0 | 20.9 | 515.3 | - | 238.0 | 896.2 |

| Group | Carrying amount | 1 year or less | 1 to <2 years | 2 to <5 years | >5 years | Other | Total |
|---|-----------------|----------------|---------------|---------------|--------------|--------------|--------------|
| 2016 (restated) | £m | £m | £m | £m | £m | £m | £m |
| Non-derivative financial instruments | | | | | | | |
| Secured bank loans | 463.0 | 24.9 | 24.8 | 74.5 | 475.3 | - | 599.5 |
| Shareholder liabilities | 212.5 | - | - | - | - | 212.5 | 212.5 |
| Trade and other payables | 40.3 | 40.3 | - | - | - | - | 40.3 |
| Accruals | 45.7 | 45.7 | - | - | - | - | 45.7 |
| | 761.5 | 110.9 | 24.8 | 74.5 | 475.3 | 212.5 | 898.0 |

Other refers to preference share liabilities which are payable on sale, quotation, or liquidation and are presented as part of non-current liabilities. Interest accrues at 12% per annum, compounding at the end of February each year and is payable with the principle amount. Due to the uncertainty of timing of cash flows, carrying value as at 28 December 2017 has been included in the table above.

The value of derivative financial instruments at 28 December 2017 was £0.1 million (2016: nil).

The contractual maturities in 2017 are as follows. In all instances, the carrying amounts reflect the contractual cash flows:

| Group | Carrying amount | 1 year or less | 1 to <2 years | 2 to <5 years | >5 years | Total |
|----------------------------------|-----------------|----------------|---------------|---------------|----------|------------|
| 2017 | £m | £m | £m | £m | £m | £m |
| Derivative financial assets | 0.1 | - | 0.1 | - | - | 0.1 |
| Derivative financial liabilities | - | - | - | - | - | - |
| | 0.1 | - | 0.1 | - | - | 0.1 |

PAM Group Limited

Notes to the Consolidated Financial Statements (continued)

23. Financial Instruments (continued)

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments.

The Group uses interest rate swaps and interest rate caps to manage its exposure to change in market values as discussed above.

23.

The Group has exposure to changes in raw price material since these represent a relatively large part of the business costs. This risk is mitigated with short term fixed price contracts and supplier relationship management, and regular monitoring of ingredient prices and recipes.

Market risk – foreign currency risk

The Group has operations in United States of America, France, Hong Kong and China and also buys and sells goods and services in currencies other than sterling. As a result, the value of the Group's non-sterling revenues, purchases, financial assets and liabilities and cash flows can be affected by movements in exchange rates. The majority of foreign operations income and expenditure are within the functional currency of the foreign operator providing natural hedging in these currencies. The Board does not consider there to be any significant unmitigated foreign currency risk in relation to the Group's pre-tax result. The Group's exposure to foreign currency risk is as follows:

| Group | Sterling | Euro | US Dollar | Other | Total |
|---|----------------|-------------|---------------|------------|----------------|
| 2017 | £m | £m | £m | £m | £m |
| Cash and cash equivalents | 45.5 | 11.0 | 2.3 | 4.8 | 63.6 |
| Trade and other receivables (non-current and current) | 6.2 | 5.0 | 1.3 | 3.3 | 15.8 |
| Secured bank loans | (463.0) | - | - | - | (463.0) |
| Trade and other payables (non-current and current) | (56.8) | (4.7) | (22.8) | (1.1) | (85.4) |
| Balance sheet exposure | (468.1) | 11.3 | (19.2) | 7.0 | (469.0) |

| Group (restated) | Sterling | Euro | US Dollar | Other | Total |
|---|----------------|------------|---------------|------------|----------------|
| 2016 | £m | £m | £m | £m | £m |
| Cash and cash equivalents | 49.4 | 3.1 | 0.3 | 7.1 | 59.9 |
| Trade and other receivables (non-current and current) | 5.1 | 2.3 | 0.4 | 3.9 | 11.7 |
| Secured bank loans | (463.0) | - | - | - | (463.0) |
| Trade and other payables (non-current and current) | (42.6) | (3.6) | (16.0) | (1.5) | (63.7) |
| Balance sheet exposure | (451.1) | 1.8 | (15.3) | 9.5 | (455.1) |

PAM Group Limited

Notes to the Consolidated Financial Statements (continued)

23. Financial Instruments (continued)

Sensitivity analysis

In managing currency risks, the Group aims to reduce the impact of short term fluctuations on earnings.

The following tables demonstrate the sensitivity to a reasonably possible change in EUR and USD exchange rates, with all other variables held constant. The impact on the Group's profit or loss before tax is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes to all other currencies is not material.

| Group | Change in rate | EUR impact | | USD impact | |
|-------|----------------|-----------------------------|--------------------------|-----------------------------|--------------------------|
| | | Effect on profit before tax | Effect on pre-tax equity | Effect on profit before tax | Effect on pre-tax equity |
| | | £m | £m | £m | £m |
| 2017 | +5% | - | 0.6 | 0.2 | 4.7 |
| | -5% | - | (0.7) | (0.2) | (5.1) |
| 2016 | +5% | (0.1) | 0.5 | (0.1) | 3.9 |
| | -5% | 0.1 | (0.5) | 0.1 | (4.3) |

Over the longer-term, permanent changes in foreign exchange would have an impact on consolidated earnings. This impact would be mitigated by many factors both internal and external, making it impossible to estimate the final size of that impact.

Market risk - interest rate risk

Profile

At the balance sheet date, the Group's interest rate risk arises predominantly on the Group's interest-bearing financial instruments as described in Note 18.

In February 2017, the Group put in place an interest rate cap covering 75% of the total Senior B2 facility borrowings excluding the amounts covered under the existing interest rate cap. This caps LIBOR at 1% until February 2019.

From 31 August 2016 until 30 November 2017 the Group had in place an interest rate cap covering the amortisation profile of the Senior A and Senior B 2013 facilities as described in Note 18. This capped LIBOR at 2.15%.

Effective from 31 July 2013 until September 2016, the Group had in place an interest rate swap fixing LIBOR at 0.8955% on the Senior A, Senior B and Capex Facilities following the amortisation profile of those facilities.

The fair value of interest rate swaps and cap is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

Sensitivity analysis

An increase of 100 basis points in interest rates applied to the Group's bank borrowings as at balance sheet date would decrease profit or increase loss for a full year by £4.6 million (2016: £4.6 million). Bank interest is deductible at the standard rate of UK tax therefore any impact on earnings will be reduced by 19.25% and 20.00% for 2017 and 2016 respectively.

(e) Capital management

The Group's objective when managing capital is to facilitate the on-going trade and expansion of the Group and to safeguard its ability to continue as a going concern in order to provide returns for shareholders, and benefit for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

The directors look to optimise the debt and equity balance and to maintain headroom on financial covenants. Management have continued to measure and monitor covenant compliance throughout the period and the Group and complied with covenants at all test dates throughout the period.

PAM Group Limited

Notes to the Consolidated Financial Statements (continued)

23. Financial Instruments (*continued*)

There were no changes in the Group's approach to capital management during the period. The funding requirements of the Group are met by the utilisation of external borrowings as described in Note 18 together with available cash.

24. Employee Share Schemes

Partners in Pret

The Group operates an employee share scheme, "Partners in Pret", through which shares are awarded to key employees. Each new partner is awarded PAM Group Limited D Ordinary shares of £0.01 each, and these are administered through an Employee Benefit Trust ("EBT"), which acts as nominee on behalf of the partners. Annual tranches of D shares have been granted between 2009 and 2015 which have a hurdle based on a 20% premium to an external tax valuation each year. The initial grant of D Ordinary shares in 2009 comprised a 7-year entitlement for each employee of 1,575 shares (225 shares per tranche). In addition, employees were granted a "Make Good Allocation" of up to 516 shares per employee in respect of the previous Partners in Pret scheme. Later awards of D shares vest on the same basis except that no awards are made for periods that have already expired.

No shares were awarded under the Partners in Pret scheme during the period (2016: None). Shares awarded are subject to vesting conditions based on the length of service, with up to 225 shares vesting annually per employee, normally following an initial three-year period.

A reconciliation of the change in the number of Partners in Pret D Ordinary Shares is as follows:

| Group and Company | 2017 Number | 2016 Number |
|---|----------------|----------------|
| D Ordinary Shares at the start of the period | 200,541 | 200,766 |
| Forfeited during the period | (9,000) | (225) |
| D Ordinary Shares at the end of the period | 191,541 | 200,541 |

Management share schemes

Certain senior management of the Group are also invited to become shareholders through ownership of A Ordinary shares, F Ordinary shares and G Ordinary shares. Additionally, certain senior management are invited to participate in a Joint Share Ownership Programme with the Employee Benefit Trust, purchasing a residual interest in the value of G Shares.

A Ordinary Shares

The A Ordinary Shares are not subject to any share price hurdle other than the repayment of the various debt instruments including the preference shares. The A Ordinary shares vest 10% annually up to 70% after 7 years, with the remaining 30% vesting on the occurrence of an exit event (e.g. a quotation or sale of PAM Group Limited). If an exit event occurs within the initial 7-year period, any unvested A Shares that have not previously been forfeited, will immediately vest. Leaver provisions require that on an individual ceasing employment, a portion are forfeited and sold back to the Employee Benefit Trust at nominal value and are included within the Own Share Reserve as detailed in Note 22. There has been no change in the number of A Ordinary shares in the year (2016: No change).

PAM Group Limited

Notes to the Consolidated Financial Statements (continued)

24. Employee Share Schemes (continued)

F Ordinary Shares

The F Ordinary shares as a class are entitled to 2% of the value of the Company in excess of a £600 million enterprise value hurdle (assuming all 100,000 F shares are in issue). If on exit, the enterprise value is less than £600 million, the F Ordinary shares are not entitled to any return. The F Ordinary shares only vest on the occurrence of an exit event. Leaver provisions require that on an individual ceasing employment, shares are sold back to the Employee Benefit Trust and included within the Own Share Reserve as detailed in Note 22. There has been no change in the total number of F Ordinary shares in the year (2016: no change), however during 2017 the EBT acquired 7,500 F Ordinary shares at their nominal value which are presented within the Own share reserve in Note 22.

G Ordinary Shares

The G Ordinary shares as a class are entitled to 2% of the value of the Company in excess of a £750 million enterprise value hurdle (assuming all 100,000 G shares are in issue). This threshold was set as of 1 January 2014 and has been subject to an annual £25 million increase, phased over the course of each year. If, on exit, the enterprise value was to be less than £750 million (as increased annually), the G shares are not entitled to any return. Later tranches of G shares in December 2015 and March 2016 were granted under a Joint Share Ownership Plan ("JSOP"). Under the JSOP, employees acquire a joint ownership in a G share with the EBT, entitling them to any growth in value of the G share above a further hurdle in addition to the £750 million (as increased annually) that already applies to the G shares. The G Ordinary shares only vest on the occurrence of an exit event. Leaver provisions require that on an individual ceasing employment, shares must be sold to the Employee Benefit Trust.

A reconciliation of the change in the number of issued G Ordinary shares, excluding those held on behalf of employees within the Own Share Reserve (Note 22), is as follows:

| Group and Company | 2017 Number | 2016 Number |
|--|----------------|----------------|
| G Ordinary Shares outstanding at the start of the period excluding Own Share Reserve (Note 22) | 70,500 | 53,500 |
| Granted during the period under JSOP arrangement | - | 17,000 |
| G Ordinary Shares at the end of the period excluding Own Share Reserve (Note 22) | 70,500 | 70,500 |

The fair value of the shares acquired by the employee in 2016 was measured at grant date using a Black Scholes option pricing model using the estimated enterprise value of the business and taking into account the terms and conditions upon which the shares were granted including any market-based performance conditions such as the hurdles attaching to the D, F and G Ordinary Shares.

PAM Group Limited

Notes to the Consolidated Financial Statements (continued)

24. Employee Share Schemes (continued)

A charge of £2.0 million has been recognised in respect of these transactions during the period, which are all accounted for as equity-settled share-based payments (2016: £3.5 million).

There were no new shares awarded during 2017.

The weighted average fair value of awards granted in 2016 and key assumptions were as follows:

| Group and Company | 2017 | 2016 |
|---|------|-------------|
| Weighted average fair value, nearest £ | | |
| A Share Awards | - | - |
| D Share Awards | - | - |
| F Share Awards | - | - |
| G Share Awards | - | - |
| G Share under JSOP Arrangement | - | 36 |
| Assumptions | | |
| Expected term (years) | - | 1-2 |
| Dividend Yield | - | - |
| Risk-Free Rate | - | 0.3% |
| Expected Volatility | - | 25% |
| Discount for restrictions | - | 10% |
| Exercise Price (£m) | | |
| A Share Awards | - | - |
| D Share Awards | - | - |
| F Share Awards | - | - |
| G Share Awards | - | - |
| G Shares under JSOP Arrangement | - | 1,040-1,041 |

Notes 4.1.5 and 4.2.1 provide further detail on significant judgements, assumptions and estimates relating to the recognition of share-based expense in the period.

25. Operating Lease Commitments

Financial commitments under non-cancellable operating leases are as follows:

| Group | Land and buildings 2017 £m | Land and buildings 2016 £m |
|----------------------------|-------------------------------------|-------------------------------------|
| Less than one year | 95.8 | 88.5 |
| Between one and five years | 336.5 | 287.1 |
| More than five years | 319.1 | 274.7 |
| Total | 751.4 | 650.3 |

PAM Group Limited

Notes to the Consolidated Financial Statements (continued)

26. Capital Commitments

| Group | Land and | Land and |
|---------------------------------|-----------|-----------|
| | buildings | buildings |
| | 2017 | 2016 |
| | £m | £m |
| Contracted for but not provided | 1.1 | 1.3 |

27. 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, Pret A Manger (Europe) Limited, Pret A Manger (Hong Kong) Limited, Pret (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, Property, Plant and Equipment, Receivables, insurance policies, certain contracts and claims, intellectual property and bank accounts.

At 28 December 2017, borrowings covered by the guarantee amounted to £463.0 million (2016: £463.0 million).

Further to the above, the Group has a number of letters of credit issued under its debt facility which are held by the Group's landlords in the event of default in respect to its lease commitments. Based on a past record and future expectation of adherence to lease commitments, the Group has not recognised any provision for these potential liabilities except where they represent an onerous contract.

The Group is currently and may from time to time be involved in a number of legal proceedings, including inquiries from outside bodies, which are incidental to its operations and arise through the normal course of business. However, aside from that disclosed below, the Group is not currently involved in any legal or arbitration proceedings which may have, or have had in the 12 months preceding the date of this report, a material adverse effect on the financial position or profitability of the Company and its subsidiaries.

Pret A Manger (USA) Limited is a defendant in a number of potential and actual action class action claims. Pret A Manger (USA) Limited and the Group are subject to such claims as a result of operations in the normal course of business in the USA. It is often not possible to accurately quantify the probability or financial outcome of all such cases. Were such claims to progress to full class certification, and be successful, the outcome could be material.

28. Control

The Company is majority owned by the Bridgepoint Europe III Private Equity Fund, which is in turn managed by Bridgepoint Advisers Limited who have a registered office at 95 Wigmore Street, London, W1U 1FB.

Pret's founders, Chairman and Chief Executive, together with key members of management, hold 31% (2016: 31%) of the ordinary share capital. This holding includes 'C' shares which 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.

PAM Group Limited

Notes to the Consolidated Financial Statements (continued)

29. Related Party Transactions

a. Transactions with owners

Apart from the redeemable preference shares disclosed in Note 19, the Group paid operating expenses of £3.7 million (2016: £4.2 million) to portfolio companies of Bridgepoint Advisers Limited with £0.5 million payable to those companies at the year-end (2016: Nil).

b. Compensation of key management personnel of the Group

| Group | 2017 £m | 2016 £m |
|--|------------|------------|
| Short-term employee benefits | 3.3 | 3.6 |
| Post-employment pension and medical benefits | 0.1 | 0.1 |
| Compensation for loss of office | 0.5 | - |
| Share based payment transactions | 0.7 | 1.3 |
| Total compensation paid to key management personnel | 4.6 | 5.0 |

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

During the year, the Company provided an interest-bearing loan of £0.2m to one director which was repaid in full within the year. The interest charged on this loan was in line with HMRC's official interest rates. There were no outstanding balances with key management personnel as at the year-end balance sheet dates.

c. Transactions with other related parties

During the period, the Group donated products with a cost of £1.3 million (2016: £1.3 million) and recharged salary costs of £0.2 million (2016: £0.2 million) to the Pret Foundation Trust. As at 28 December 2017, the Group owed £0.1 million (2016: £0.2 million) to the Pret Foundation Trust.

30. Events After the Balance Sheet Date

After the year end date, the Group has settled two legal cases totalling £0.9m: a US employment dispute and a landlord dispute. The Group has adequately provided for the settlements and uninsured legal costs within provisions in Note 20.

PAM Group Limited

Notes to the Consolidated Financial Statements (continued)

31. Reclassification and Restatement

The Group has restated its previously issued Consolidated Statement of Profit or Loss, Consolidated Statement of Comprehensive Income or Loss, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, and Consolidated Cash Flow Statement at 29 December 2016 and for the year then ended. The financial statements for 29 December 2016 were previously authorised for issue on 5 May 2017.

The Group identified various adjustments relating to prior year consolidated financial statements and have adjusted each of the affected financial statement line items for the prior periods. In the process of adjusting for material restatements, the Group has also made immaterial adjustments to financial statement line items for prior periods since these are considered to be material in aggregate when considered in the context of the 2016 adjustments.

The material individual restatement adjustments are described below and are reflected and quantified, as applicable, in the footnotes to the below tables. Certain items in the prior period reported figures have also been reclassified for current period presentation purposes, which is described in the footnotes to the below tables.

Restatement of 2016 Consolidated Statement of Profit or Loss

| Group | As Previously Reported 2016 £m | Restatement Adjustment 2016 £m | Ref | As Restated 2016 £m |
|---|--|---|----------|---------------------------|
| Revenue | 776.2 | (0.1) | i | 776.1 |
| Cost of sales | (439.8) | 0.8 | i | (439.0) |
| Gross profit | 336.4 | 0.7 | | 337.1 |
| Administrative expenses | (288.0) | (4.9) | a,b,c, i | (292.9) |
| Operating profit | 48.4 | (4.2) | | 44.2 |
| Add: share based payment expense | - | 3.5 | | 3.5 |
| Add: impairment of PPE and onerous lease provisions | 6.1 | (1.1) | c | 5.0 |
| Add: non-recurring costs | 2.6 | - | | 2.6 |
| Underlying operating profit | 57.1 | (1.8) | | 55.3 |
| Add: depreciation, amortisation & loss on disposal of PPE | 37.4 | 1.6 | c,i | 39.0 |
| Underlying EBITDA | 94.5 | (0.2) | | 94.3 |
| Operating profit | 48.4 | (4.2) | | 44.2 |
| Finance costs | (28.6) | 0.3 | i | (28.3) |
| Interest on shareholder liabilities | (36.0) | 0.2 | i | (35.8) |
| Loss before tax | (16.2) | (3.7) | | (19.9) |
| Tax | (8.1) | 3.8 | d,i | (4.3) |
| Loss for the year | (24.3) | 0.1 | | (24.2) |

See note above "Revised Presentation of the Consolidated Statement of Profit or Loss" for an explanation of the presentation changes from the previously issued consolidated financial statements.

PAM Group Limited

Notes to the Consolidated Financial Statements (continued)

31. Reclassification and Restatement (continued)

Restatement of 2016 Consolidated Statement of Financial Position

| Group | As Previously Reported | Reclassification n adjustments | Re f | Restatement adjustments | Re f | As Restated |
|--|------------------------------|-----------------------------------|---------|----------------------------|---------|----------------|
| (Amounts in millions) | 2016 | 2016 | | 2016 | | 2016 |
| Property, plant and equipment | 173.6 | (0.3) | i | (2.0) | c, i | 171.3 |
| Intangible assets | 245.0 | (0.1) | i | (0.3) | i | 244.6 |
| Deferred tax asset | 0.9 | (0.9) | e | - | | - |
| Other non-current assets | - | 6.0 | f | - | | 6.0 |
| Total non-current assets | 419.5 | 4.7 | | (2.3) | | 421.9 |
| Inventories | 2.9 | - | | - | | 2.9 |
| Trade and other receivables | 7.6 | (3.7) | f, h, i | 1.8 | | 5.7 |
| Prepayments | 17.4 | 2.2 | g, i | (0.1) | i | 19.5 |
| Cash and cash equivalents | 61.8 | - | | (1.9) | a | 59.9 |
| Total current assets | 89.7 | (1.5) | | (0.2) | | 88.0 |
| Total assets | 509.2 | 3.2 | | (2.5) | | 509.9 |
| Trade and other payables | 35.6 | 4.1 | i | 0.6 | i | 40.3 |
| Accruals | 72.5 | (23.3) | g, h, i | (3.5) | i | 45.7 |
| Provisions | 0.2 | - | | - | | 0.2 |
| Income tax payable | 4.3 | - | | (1.3) | a, i | 3.0 |
| Total current liabilities | 112.6 | (19.2) | | (4.2) | | 89.2 |
| Long term borrowings | 670.0 | - | | (0.3) | i | 669.7 |
| Deferred tax liability | 2.0 | (0.9) | e | 0.1 | | 1.2 |
| Other liabilities | - | 23.0 | | 0.4 | | 23.4 |
| Provisions | 2.0 | 0.3 | i | 0.3 | i | 2.6 |
| Total non-current liabilities | 674.0 | 22.4 | | 0.5 | | 696.9 |
| Total liabilities | 786.6 | 3.2 | | (3.7) | | 786.1 |
| Share capital | 0.2 | - | | - | | 0.2 |
| Share premium | 1.8 | - | | - | | 1.8 |
| Own share reserve | (4.2) | - | | - | | (4.2) |
| Retained deficit | (284.4) | - | | 5.6 | | (278.8) |
| Foreign currency translation reserve | 9.2 | - | | (4.4) | a, c, d | 4.8 |
| Total equity attributable to equity holders of the parent | (277.4) | - | | 1.2 | | (276.2) |
| Total equity and liabilities | 509.2 | 3.2 | | (2.5) | | 509.9 |

PAM Group Limited

Notes to the Consolidated Financial Statements (continued)

31. Reclassification and Restatement (*continued*)

Restatement of 2016 Consolidated Cash Flow Statement

| Group | As Previously Reported | Restatement Adjustments | Ref | As Restated |
|--|---------------------------|----------------------------|-----|---------------------|
| (Amounts in £ millions) | 29 December 2016 | 29 December 2016 | | 29 December 2016 |
| Cash flows from operating activities | | | | |
| Loss before tax | (16.2) | (3.7) | | (19.9) |
| <i>Adjustments to reconcile loss before tax to net cash flows:</i> | | | | |
| Depreciation, amortisation, impairment, onerous lease and loss on disposal | 43.5 | 0.5 | c,j | 44.0 |
| Net foreign exchange differences | (1.2) | (2.7) | j,k | (3.9) |
| Share based payment expense | - | 3.5 | b | 3.5 |
| Financing costs | 28.6 | (0.3) | j | 28.3 |
| Interest on shareholder liabilities | 36.0 | (0.2) | j | 35.8 |
| Cash flow from operating activities before changes in working capital | 90.7 | (2.9) | | 87.8 |
| Working capital movement | 17.5 | 0.5 | j | 18.0 |
| Cash generated from operations | 108.2 | (2.4) | | 105.8 |
| Income tax paid | (6.4) | - | | (6.4) |
| Net cash flow from operating activities | 101.8 | (2.4) | | 99.4 |
| Cash flows from investing activities | | | | |
| Purchase of property, plant and equipment | (61.2) | (0.9) | j | (62.1) |
| Purchase of intangible assets | (6.9) | 0.8 | j | (6.1) |
| Net cash used in investing activities | (68.1) | (0.1) | | (68.2) |
| Cash flow from financing activities | | | | |
| Proceeds from borrowings | 160.8 | - | | 160.8 |
| Interest and fees paid | (26.9) | - | | (26.9) |
| Repayment of borrowings | (2.8) | - | | (2.8) |
| Repayment of loan notes | (149.5) | - | | (149.5) |
| Net cash used in financing activities | (18.4) | - | | (18.4) |
| Net increase in cash and cash equivalents | 15.3 | (2.5) | | 12.8 |
| Net foreign exchange difference | - | 2.1 | k | 2.1 |
| Cash and cash equivalents at the start of the period | 46.5 | (1.5) | | 45.0 |
| Cash and cash equivalents at the end of the period | 61.8 | (1.9) | | 59.9 |

PAM Group Limited

Notes to the Consolidated Financial Statements (continued)

31. Reclassification and Restatement (*continued*)

Restatement of Consolidated Statement of Changes in Equity

| Group (Amounts in £ millions) | As Previously Reported | Restatement adjustments | Ref | As Restated |
|---|---------------------------|----------------------------|-----|----------------|
| Total equity at 31 December 2015 | (262.8) | 0.8 | | (262.0) |
| Net loss for the year | (24.3) | 0.1 | | (24.2) |
| Exchange differences on translation of foreign operations | 9.7 | (3.2) | d | 6.5 |
| Share-based payments expense | - | 3.5 | b | 3.5 |
| Total equity at 29 December 2016 | (277.4) | 1.2 | | (276.2) |

Restatement of Consolidated Statement of Other Comprehensive Income or Loss

| Group (Amounts in £ millions) | As Previously Reported 29 December 2016 | Restatement Adjustments 29 December 2016 | Ref | As Restated 29 December 2016 |
|---|--|---|-----|------------------------------------|
| Net loss for the year | (24.3) | 0.1 | | (24.2) |
| Exchange differences on translation of foreign operations | 9.7 | (3.2) | d | 6.5 |
| Total comprehensive loss for the year | (14.6) | (3.1) | | (17.7) |

Material individual restatements to prior periods

- Administrative expenses – This adjustment restates administrative expenses for costs previously not recognised in the Consolidated Income Statement. The impact was a £0.9 million charge to the Consolidated Income Statement in the period. There was no impact on the opening Retained deficit.
- Share-based Payments – This adjustment to restate the valuation in respect of share based payments relates to a change in methodology to account for the share based payments in accordance with IFRS 2, in particular the judgemental assumptions used by our third party consultant surrounding the potential market value of equity, the size of the discounts applied to shares for a lack of liquidity and uncertainty of the timing of exit, and the methodology of applying IFRS 2 to the particular equity characteristics of the Group. This increased expenses by £3.5 million in 2016. The corresponding movement is shown in the Statement of Changes in Equity and added back in calculating Operating Cash Flows. There was no impact on the opening Retained deficit.
- Assets under construction – This adjustment restates depreciation for Assets under Construction included within Property, Plant and Equipment now judged to be working in a manner intended by management. An adjustment of £1.0 million has been recognised within the Consolidated Income Statement for the consequent depreciation, impairment and abortive costs arising on these assets. There was no impact on the opening Retained Deficit.
- Income tax – This adjustment restates the accounting for the tax on foreign exchange arising due to the translation of intragroup loans. Previously this taxation was treated as a charge to the Income Statement in the individual entity accounts and included within Income Statement of the Group, and in the restated financial statements we have classified as a net investment and taken directly to the Statement of Other Comprehensive Income or Loss. This reduced the tax charge in the Income Statement by £2.8 million in 2016 and is presented net against the foreign exchange movement in the Statement of Other Comprehensive Income or Loss.

PAM Group Limited

Notes to the Consolidated Financial Statements (continued)

31. Reclassification and Restatement (*continued*)

Reclassification adjustments to the Consolidated Statement of Financial Position

- e) Deferred tax – Deferred tax assets and liabilities had previously been presented gross although arising in the same tax jurisdiction and subject to a legal right of offset. This reduces the deferred tax asset and reduces the deferred tax liability by £0.9 million in 2016.
- f) Other non-current assets – Adjustments were identified relating to property deposits paid to landlords previously included within Other Receivables but not due to be realised within 12 months. These increased Other non-current assets by £3.6 million in 2016 and reduced Trade and Other Receivables by the same amount.
- g) Prepayments and accruals – Adjustments were identified relating to prepaid and accrued expenses which had been presented net. These increased Prepayments by £2.0 million in 2016 and increased Accruals by the same amount.
- h) Other receivables and accruals – Adjustments were identified related to lease incentive assets which had been presented net against lease incentive liabilities. These increased Trade and Other Receivables by £1.8 million in 2016 and increased Accruals by the same amount.

Immaterial adjustments to the financial statements

- i) A number of adjustments were identified which were individually immaterial, and which restate and reclassify items within the Income Statement, Statement of Financial Position, and Statement of Cash Flows. These related to adjustments to correct for items including, timing and recognition of expenditure and accruals, reclassification between line items, and presentation of rounding differences within the consolidated financial statements. These adjustments are being made because they are qualitatively material, particularly with respect to the presentation of segmental information.

Adjustments to the Statement of Cash Flows

- j) A number of restatements identified above adjusted corresponding figures within the reconciliation of Cash Generated from Operating Activities. These are individually described where material within the notes above.
- k) Foreign exchange differences previously reported within other line items has been adjusted to be presented as a separate line on the Statement of Cash Flows. This presents £2.1 million of cash movements as foreign exchange in 2016.

PAM Group Limited

Company Balance Sheet

At 28 December 2017

| Company | Notes | 2017 | 2016 |
|--|-------|----------------|----------------|
| | | £m | Restated* |
| | | | £m |
| Fixed Assets | | | |
| Investment in subsidiaries | 3 | 475.8 | 475.4 |
| Total fixed assets | | 475.8 | 475.4 |
| Current assets | | | |
| Debtors | 4 | 20.9 | 20.1 |
| Total current assets | | 20.9 | 20.1 |
| Total assets | | 496.7 | 495.5 |
| Creditors: amounts falling due after more than one year | 6 | (238.0) | (212.5) |
| Total non-current liabilities | | (238.0) | (212.5) |
| Total liabilities | | (238.0) | (212.5) |
| Net assets | | 258.7 | 283.0 |
| Equity | | | |
| Share capital | 8 | 0.2 | 0.2 |
| Share premium | | 1.8 | 1.8 |
| Other reserve | | 413.8 | 413.8 |
| Retained earnings | | (157.1) | (132.8) |
| Equity attributable to equity holders of the parent | | 258.7 | 283.0 |

* Restated. See note 31 in the Group accounts for further detail.

The Directors have taken advantage of the exemption available under Section 408 of the Companies Act 2006 and not presented an income statement nor a statement of comprehensive income for the Company alone. The net loss for the Company for the year ended 28 December 2017 was £26.3 million (2016: £25.2 million net loss).

These financial statements were approved by the board of directors on 24 May 2018 and were signed on its behalf by:



A M Jones

Director



C E B Schlee

Director

PAM Group Limited

Company Statement of Changes in Equity

At 28 December 2017

| Company | Share capital £m | Share premium £m | Other reserve £m | Retained earnings Restated* £m | Total equity £m |
|--|------------------------|------------------------|------------------------|---|-----------------------|
| Balance at 31 December 2015 | 0.2 | 1.8 | 413.8 | (111.1) | 304.7 |
| Loss for the year | - | - | - | (25.2) | (25.2) |
| Share Based Payments Expense | - | - | - | 3.5 | 3.5 |
| Total comprehensive loss for the year | - | - | - | (21.7) | (21.7) |
| Balance at 29 December 2016 | 0.2 | 1.8 | 413.8 | (132.8) | 283.0 |
| Loss for the year | - | - | - | (26.3) | (26.3) |
| Share Based Payments Expense | - | - | - | 2.0 | 2.0 |
| Total comprehensive loss for the year | - | - | - | (24.3) | (24.3) |
| Balance at 28 December 2017 | 0.2 | 1.8 | 413.8 | (157.1) | 258.7 |

* Restated. See note 31 in the Group accounts for further detail.

PAM Group Limited

Notes to the Company Financial Statements

1. Accounting policies

PAM Group Limited (the “Company”) is a company incorporated and domiciled in the UK.

The Company financial statements present information about the Company as a separate entity and not about its group.

The Company 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 2017 financial statements have been drawn up for the 52 weeks ended 28 December 2017 (2016: 52 weeks ended 29 December 2016).

The Company has elected to prepare its financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (“FRS101”). The amendments issued in July 2015 have been applied. In preparing these financial statements, the Company has applied the reconciliation, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”) but has made amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantages of FRS 101 disclosure exemption has been taken.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented.

The Company is exempt from the requirement to present its own profit and loss under section 408 of the Companies Act. In addition, the Company has taken advantage of the following disclosure exemptions under FRS101:

- IAS7, Cash flow statements.
- IAS 36, Impairments
- IFRS 2, Share based payments
- IFRS 7, Financial Instruments
- IFRS 13, Fair value measurement
- IAS 24, Related party Disclosure

Equivalent disclosures are presented in the financial statements of the Group.

The Group consolidated financial statements are required to comply with regulation 5(1)(b) of the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) Regulations 2008. The Company is consequently exempt from disclosing auditor remuneration separately.

Measurement convention

The financial statements are prepared on the historical cost basis with the exception of derivative financial instruments which are stated at their fair value.

Going concern

At 28 December 2017, the Company had net assets of £258.7 million (2016: £283.0 million). The financial statements have been prepared on a going concern basis which assumes that the Company will continue in operational existence for the foreseeable future. The Company 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. In future, the Company may draw its available loan facility to fund expansion.

PAM Group Limited

Notes to the Company Financial Statements

1. Accounting policies (continued)

The Group is a guarantor to the PAM Group Limited banking facilities; therefore these financial statements have been prepared on a going concern basis, having regard to the Group's trading forecasts for the next 18 months. Taking these forecasts into account and on the basis that the existing loan facilities do not expire until 2022, it is the Directors opinion that the financial statements should be prepared on a going concern basis.

Financial Instruments

In accordance with IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company 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; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's 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 exclude amounts in relation to those shares. Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges.

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised at their nominal amount less any impairment losses and provisions for bad debts.

Trade and other payables

Trade and other payables are recognised at face value.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Companies cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Interest-bearing borrowings

Interest-bearing borrowings are recognised at amortised cost plus accumulated unpaid interest costs incurred.

Derivative financial instruments

Derivative financial instruments are measured at fair value and gains or losses are recognised through the income statement.

Fixed Asset Investments

Fixed asset investments are stated at deemed cost, less provisions for impairment.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

PAM Group Limited

Notes to the Company Financial Statements

1. Accounting policies (continued)

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for:

- the initial recognition of goodwill;
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduces to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

2. Directors and employees

The aggregate remuneration of Directors was £Nil (2016: £Nil). The company had no staff during the period.

3. Investment in Subsidiaries

| Company | Shares in subsidiary undertakings | Shares in subsidiary undertakings |
|-------------------------|-----------------------------------|-----------------------------------|
| (Amounts in £ millions) | 2017 | 2016 |
| Cost and net book value | 475.8 | 475.4 |

A full list of subsidiary undertakings is given in note 10.

4. Debtors

| Company | 2017 £m | 2016 £m |
|------------------------------------|-------------|-------------|
| Other Debtors | 5.2 | 5.2 |
| Amounts Owed by Group undertakings | 15.7 | 14.9 |
| Total | 20.9 | 20.1 |
| Due within one year | 5.2 | 5.2 |
| Due after more than one year | 15.7 | 14.9 |
| Total | 20.9 | 20.1 |

PAM Group Limited

Notes to the Company Financial Statements

5. Taxation

a) Tax recognised in the income statement

| Company | 2017 £m | 2016 £m |
|---|------------|------------|
| UK Corporation tax - current tax on income for the period | - | - |
| Total current tax expense | - | - |

b) Factors Affecting the Current Tax Charge

| Company | 2017 £m | 2016 £m |
|--|------------|------------|
| Profit excluding taxation | (26.3) | (25.2) |
| Loss on ordinary activities at standard rate of UK tax (19.25%, 2016: 20%) | (5.1) | (5.0) |
| Group relief and intercompany adjustments | (0.1) | (0.2) |
| Share based payments | 0.3 | 0.7 |
| Redeemable preference share dividends | 4.9 | 4.5 |
| Total current tax expense | - | - |

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

| Company | 2017 £m | 2016 restated £m |
|------------------------------|----------------|------------------------|
| Redeemable preference shares | (238.0) | (212.5) |
| Total | (238.0) | (212.5) |

7. Shareholder liabilities

| Company | 2017 £m | 2016 £m |
|-------------------------------------|--------------|--------------|
| Redeemable Preference Shares | 78.8 | 78.8 |
| Accrued Preference Share Dividends: | | |
| At start of period | 133.7 | 111.1 |
| Accrued Preference share dividend | 25.5 | 22.6 |
| At end of period | 159.2 | 133.7 |
| Total | 238.0 | 212.5 |

Shareholder liabilities repayable represent redeemable preference shares and is included within Loans and Borrowings in Note 18 and Note 19 of the Group Accounts.

PAM Group Limited

Notes to the Company Financial Statements

8. Share Capital

| Company | 2017 | 2016 |
|--|------------|------------|
| Issued and fully paid | £m | £m |
| 1,925,000 (2016: 1,925,000) A ordinary shares of £0.01 each | - | - |
| 16,800,000 (2016: 16,800,000) B ordinary shares of £0.01 each | 0.2 | 0.2 |
| 1,000,000 (2016: 1,000,000) C ordinary shares of £0.01 each | - | - |
| 191,541 (2016: 200,541) D ordinary shares of £0.01 each | - | - |
| 100 (2016: 100) E ordinary shares of £0.01 each | - | - |
| 100,000 (2016: 100,000) F ordinary shares of £0.01 each | - | - |
| 100,000 (2016: 100,000) G ordinary shares of £0.01 each | - | - |
| 93,498 (2016: 84,498) Deferred shares of £0.01 each | - | - |
| Total ordinary shares | 0.2 | 0.2 |
| 78,816,617 (2016: 78,816,617) redeemable preference shares of £0.01 each | 0.8 | 0.8 |
| | 1.0 | 1.0 |

| Company | 2017 | 2016 |
|---|------------|------------|
| Amounts presented in equity | £m | £m |
| 1,925,000 (2016: 1,925,000) A ordinary shares of £0.01 each | - | - |
| 16,800,000 (2016: 16,800,000) B ordinary shares of £0.01 each | 0.2 | 0.2 |
| 1,000,000 (2016: 1,000,000) C ordinary shares of £0.01 each | - | - |
| 191,541 (2016: 200,541) D ordinary shares of £0.01 each | - | - |
| 100 (2016: 100) E ordinary shares of £0.01 each | - | - |
| 100,000 (2016: 100,000) F ordinary shares of £0.01 each | - | - |
| 100,000 (2016: 100,000) G ordinary shares of £0.01 each | - | - |
| 93,498 (2016: 84,498) Deferred shares of £0.01 each | - | - |
| Total ordinary shares | 0.2 | 0.2 |

| Company | 2017 | 2016 |
|--|------|------|
| Amounts presented in liabilities | £m | £m |
| 78,816,617 (2016: 78,816,617) redeemable preference shares of £0.01 each, issued for £1 each | 0.8 | 0.8 |

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 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, 1.375% of the total number of votes capable of being cast by the holders of A, B, C and D Ordinary Shares. The E Ordinary Shares carry the right to receive notice of general meetings of the Company but not the right to attend or vote at them.

The Company did not issue any shares during the year (2016: none). During the year, 9,000 D Ordinary Shares became Deferred Shares (2016: None).

PAM Group Limited

Notes to the Company Financial Statements

8. Share capital (continued)

Shares held by an Employee Benefit Trust (EBT) are classified in the group accounts' shareholders' equity as Capital reserve – own shares' and are recognised at cost. No gain or loss is recognised in the income statement on the purchase or sale of such shares. The EBT has waived its entitlement to dividends. The Group will meet the expense of the EBT as and when they fall due.

9. 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, Pret A Manger (Europe) Limited, Pret A Manger (Hong Kong) Limited, Pret (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, property plant and equipment, receivables, insurance policies, certain contracts and claims, intellectual property and bank accounts. At 28 December 2017, borrowings covered by the guarantee amounted to £463.0 million (2016: £463.0 million).

10. Subsidiary Undertakings

The following entities are 100% owned through ordinary shares as at 28 December 2017. Following a legal entity restructuring in the year, a number of subsidiary undertakings were dissolved in the financial year.

| Name of Subsidiary undertaking | Registered Address | Country of incorporation |
|---------------------------------------|---|--------------------------|
| Pam Acquisitionco Limited | 75B Verde, 10 Bressenden Place, London, England, SW1E 5DH | United Kingdom |
| Pam Group Limited | 75B Verde, 10 Bressenden Place, London, England, SW1E 5DH | United Kingdom |
| Pam Subco Limited | 75B Verde, 10 Bressenden Place, London, England, SW1E 5DH | United Kingdom |
| Pret A Manger (Europe) Limited | 75B Verde, 10 Bressenden Place, London, England, SW1E 5DH | United Kingdom |
| Pret A Manger (Hong Kong) Limited | 75B Verde, 10 Bressenden Place, London, SW1E 5DH, United Kingdom | United Kingdom |
| Pret A Manger (USA) Limited | 75B Verde, 10 Bressenden Place, London, SW1E 5DH, United Kingdom | United Kingdom |
| Pret A Manger Limited | 75B Verde, 10 Bressenden Place, London, SW1E 5DH, United Kingdom | United Kingdom |
| Pret (France) SAS | 106-108 rue La Boetie, 75008, Paris, France | France |
| Pret (Hong Kong) Limited | Room 1503, 15/F 18 Hysan Avenue, Causeway Bay, Hong Kong, Hong Kong | Hong Kong |
| Pret 100 Central Park South Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 100 Church Street, Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 100 North LaSalle, Inc | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 101 Arch Street Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 1020 Sixth Avenue, Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 104 South Michigan Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 106 West 32nd Street Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 1071 Avenue of the Americas Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 11 West 42, Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 1153 Broadway Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 11th and F Street DC, Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 120 South Riverside Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 1200 Avenue of the Americas Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 122 East 42, Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 125 Chambers Street Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 1275 Pennsylvania Avenue Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 1350 Sixth, Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 1399 New York Avenue, Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 1410 Broadway, Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |

PAM Group Limited

Notes to the Company Financial Statements

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|-----------------------------------|---|---------------|
| Pret 1432 K Street, Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 1700 Broadway Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 1701 K Street Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 1756 Broadway, Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 176 Federal Street Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 179 Broadway, Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 1800 M Street Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 1825 Eye Street, Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 1828 L Street Inc, | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 185 Franklin Street, Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 190 West Madison Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 2 Park Avenue, Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 201 Pearl, Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 205 East 42nd Street Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 222 Broadway Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 225 Fifth Avenue Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 225 North Michigan Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 24 West 23rd, Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 265 Madison Avenue Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 287 Madison, Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 2955 Broadway Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 299 Seventh Avenue Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 300 Park Avenue, Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 301 Pennsylvania Avenue Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 303 Park Avenue South Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 30th Street Station Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 319 Broadway Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 342 7th, Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 350 Hudson, Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 350 Park Avenue Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 350 West 14th Street Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 360 Longwood Avenue Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 38 West 48th Street Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 389 Fifth, Inc | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 399 Park, Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 400 Park Avenue South Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 425 Lex, Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 425 Madison Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 437 Fifth Avenue Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 485 7th Avenue, Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 485 Lexington, Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 50 Broadway, Inc | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 500 West Madison Street Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 501 Boylston Street, Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 6 East 46th, Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |

PAM Group Limited

Notes to the Company Financial Statements

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|---|--|---------------|
| Pret 600 Lexington Avenue Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 601 Eighth Avenue Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 62 West 45th Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 655 Sixth Avenue Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 666 Third, Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 73 West Monroe, Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 75 Nassau, Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 750 Eighth Avenue Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 757 Third Inc | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 821 Broadway, Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 825 Eighth Avenue Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 853 Broadway, Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 855 Boylston Street Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 857 Broadway, Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 875 Sixth, Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 880 Third Avenue, Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret 99 Park Avenue Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret Adams Street Inc | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret Astor Place, Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret Block 37 Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret Chicago Union Station Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret Merchandise Mart, Inc | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret Newport, Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret One Penn Plaza Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret One State Street Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret Penn Station 2 Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret Penn Station 3 Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret Port Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret Rock, Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret Sherman Avenue Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret South Station Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret State Street, Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret Union Station, Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret West Street Tower One Inc. | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Pret Woodbury Commons Inc | 853 Broadway, 7th Floor NY 10003, United States | United States |
| Shanghai Pret Food and Beverage Service Management Co., Limited | Room 407, No. 309 Hankou Road, Huangpu District, Shanghai, Hong Kong | China |