

Registration number 03285834

# PizzaExpress Merchandising Limited

Directors' Report and Financial Statements

for the 52 Weeks Ended 30 June 2013

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**PizzaExpress Merchandising Limited**  
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**PizzaExpress Merchandising Limited**  
**Company Information**

**Directors** H Smyth  
J Freeman

**Company secretary** J Freeman

**Registered office** Hunton House  
Highbridge Estate  
Oxford Road  
Uxbridge  
Middlesex  
UB8 1LX

**Independent auditors** PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
First Point  
Buckingham Gate  
London Gatwick Airport  
Gatwick  
West Sussex  
RH6 0NT

**PizzaExpress Merchandising Limited**  
**Directors' Report for the 52 weeks ended 30 June 2013**

The directors present their report and the audited financial statements of the company for the 52 weeks ended 30 June 2013

**Directors of the company**

The directors who held office during the period were as follows

H Smyth

J Freeman - Company secretary and director

**Principal activity**

The principal activity of the company is the sale of PizzaExpress branded products through third parties

**Results and dividends**

The company's profit for the 52 week period, after taxation, amounted to £7,979,684 (53 week period ended 1 July 2012 £7,550,640) which has been transferred to reserves

The directors do not recommend the payment of a dividend (2012 £Nil)

**Business review**

The retail market is highly competitive and the company will seek new opportunities where possible with other retailers, ensuring the quality of the products continues to be of a high standard

The key risks to the company are considered to be competition from other brands, continuing to have a presence in all major retailers, timely supplies of a quality product and the impact of the current economic climate

The performance of the company is measured through the use of three key performance indicators being sales growth versus annual budget, profitability versus annual budgets and the impact of promotional activity

A more detailed business review is included in the financial statements of the company's ultimate parent undertaking, Gondola Group Limited, which does not form part of this report

**Financial risk management**

The company's activities expose it to financial risks being primarily liquidity risk

Liquidity risk arises as a result of the company's intercompany debtors and creditors due within one year. The company manages this risk by obtaining assurances from Gondola Group Limited, that it will not seek repayment of intercompany creditors in the foreseeable future. No financial exposure exists in relation to the intercompany balances as the interest on these balances is fixed at 4 per cent per annum.

**Financial instruments**

The directors consider that the company's key financial instruments are amounts due from and due to group companies. No financial exposure exists in relation to these balances as the interest on intercompany balances is fixed and thus the company does not employ the use of hedging instruments. The directors will revisit the appropriateness of the policy should the company's operations change in size or nature.

**PizzaExpress Merchandising Limited**  
**Directors' Report for the 52 weeks ended 30 June 2013**

..... *continued*

**Employment of disabled persons**

It is the policy of the company to give full and fair consideration to applications for employment from disabled persons and to continue wherever possible the employment of members of staff who may become disabled and to ensure that a suitable training, career development and promotion programme is encouraged

**Employee involvement**

Informal, frank and open dialogue is encouraged at all levels of the company. We aim to keep our employees informed of any changes and progress with the business on a regular basis in an engaging way. Communication flows both ways, as we take the views of our employees seriously. Progress is regularly communicated to management and all management and staff are expected to communicate fully within their own area of responsibility. Where reasonable and practicable within existing legislation, all persons, including disabled, have been treated in the same way in matters relating to employment, training, career development and promotion.

**Statement of director's responsibilities**

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**PizzaExpress Merchandising Limited**  
**Directors' Report for the 52 weeks ended 30 June 2013**

*..... continued*

**Disclosure of information to the auditors**

Each of the persons who is a director at the date of approval of this report confirms that

- (1) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- (2) each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418(2) of the Companies Act 2006

**Directors' Indemnities**

The company maintains liability insurance for its directors and officers which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006

**Reappointment of independent auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting

Approved by the Board on 10 October 2013 and signed on its behalf by



J Freeman  
Company secretary and director

## **PizzaExpress Merchandising Limited**

### **Independent Auditors' Report to the Members of PizzaExpress Merchandising Limited**

We have audited the financial statements of PizzaExpress Merchandising Limited for the 52 week period ended 30 June 2013 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Statement of Directors' Responsibility set out on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on the financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2013 and of its profit for the 52 week period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

#### **Opinion on other matter prescribed by the Companies Act 2006**

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

**PizzaExpress Merchandising Limited**

**Independent Auditors' Report to the Members of  
PizzaExpress Merchandising Limited**

*..... continued*

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

*Rosemary Shapland*

Rosemary Shapland (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Gatwick

10 October 2013



**PizzaExpress Merchandising Limited**  
**Profit and Loss Account for the 52 weeks ended 30 June 2013**

	Note	52 weeks ended 30 June 2013 £ 000	53 weeks ended 1 July 2012 £ 000
Turnover		8,584	8,933
Administrative expenses		<u>(430)</u>	<u>(663)</u>
Operating profit	2	8,154	8,270
Interest receivable and similar income	5	<u>2,311</u>	<u>1,865</u>
Profit on ordinary activities before taxation		10,465	10,135
Tax on profit on ordinary activities	6	<u>(2,485)</u>	<u>(2,584)</u>
Profit for the financial period	10	<u><u>7,980</u></u>	<u><u>7,551</u></u>

Turnover and operating profit derive wholly from continuing operations

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial periods stated above and their historical costs equivalents

The company has no recognised gains or losses for the period other than the profits above, and therefore no separate statement of total recognised gains and losses has been presented

**PizzaExpress Merchandising Limited**

**(Registration number: 03285834)**

**Balance Sheet at 30 June 2013**

	Note	30 June 2013 £ 000	1 July 2012 £ 000
<b>Current assets</b>			
Debtors	7	60,274	51,303
Creditors Amounts falling due within one year	8	<u>(9,906)</u>	<u>(8,915)</u>
Net assets		<u>50,368</u>	<u>42,388</u>
<b>Capital and reserves</b>			
Called up share capital	9	-	-
Profit and loss account	10	<u>50,368</u>	<u>42,388</u>
Total Shareholders' funds	11	<u>50,368</u>	<u>42,388</u>

The financial statements on pages 7 to 15 were approved by the Board on 10 October 2013 and signed on its behalf by

  
H Smyth  
Director

## **PizzaExpress Merchandising Limited**

### **Notes to the Financial Statements for the 52 weeks ended 30 June 2013**

#### **1 Accounting policies**

##### **Basis of preparation**

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom and with the Companies Act 2006. The principal accounting policies, which have been applied consistently throughout the year are set out below.

##### **Turnover**

Turnover represents commission on the sale of PizzaExpress branded product through third parties. Turnover is recognised when the goods have been sold. All turnover originates from a single business in the United Kingdom.

##### **Deferred tax**

Corporation tax is provided on taxable profits at the current rate.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less tax in the future.

Resultant deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted, or where there are deferred tax liabilities against which assets can be recovered.

Deferred taxation is measured on an undiscounted basis at the tax rates that are expected to apply to the periods in which the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

##### **Pensions**

The company operates a defined contribution pension scheme and the pension costs charged to the profit and loss account are the amounts paid by the company to the scheme during the period.

#### **2 Operating profit**

The audit fee for the 52 week period for the company is £6,000 (53 week period ended 1 July 2012: £6,000). The auditors' remuneration is borne by and included within the financial statements of PizzaExpress (Restaurants) Ltd, a fellow subsidiary company.

# **PizzaExpress Merchandising Limited**

## **Notes to the Financial Statements for the 52 weeks ended 30 June 2013**

*..... continued*

### **3 Particulars of employees**

The average number of persons employed by the company (including directors) during the period, analysed by category was as follows

	<b>52 weeks ended 30 June 2013 No.</b>	<b>53 weeks ended 1 July 2012 No</b>
Administration and support	<u>2</u>	<u>2</u>

Staff costs (including directors) during the period amounted to

	<b>52 weeks ended 30 June 2013 £ 000</b>	<b>53 weeks ended 1 July 2012 £ 000</b>
Wages and salaries	201	200
Social security costs	13	9
Staff pensions	<u>-</u>	<u>3</u>
	<u>214</u>	<u>212</u>

### **4 Directors' remuneration**

No remuneration was paid by the Company to any director during the period (2012 £nil)

H Smyth is a director of a parent company, Gondola Holdings Ltd and is remunerated by that company. It is not possible to make an accurate apportionment of his emoluments in respect of each of the companies of which he is a director. The emoluments of J Freeman are paid by Pizza Express (Restaurants) Ltd which makes no recharge to the Company.

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

### **5 Interest receivable and similar income**

	<b>52 weeks ended 30 June 2013 £ 000</b>	<b>53 weeks ended 31 July 2012 £ 000</b>
Group interest receivable	<u>2,311</u>	<u>1,865</u>

# **PizzaExpress Merchandising Limited**

## **Notes to the Financial Statements for the 52 weeks ended 30 June 2013**

*..... continued*

### **6 Tax on profit on ordinary activities**

	<b>52 weeks ended 30 June 2013 £ 000</b>	<b>53 weeks ended 1 July 2012 £ 000</b>
<b>Current tax</b>		
Corporation tax charge	<u>2,485</u>	<u>2,584</u>
Total current tax	<u>2,485</u>	<u>2,584</u>
Total tax on profit on ordinary activities	<u>2,485</u>	<u>2,584</u>

#### **Factors affecting current tax charge for the period**

Tax on profit on ordinary activities for the year is the same as (2012 - the same as) the standard rate of corporation tax in the UK of 23.75% (2012 - 25.5%)

The differences are reconciled below

	<b>52 Weeks Ended 30 June 2013 £ 000</b>	<b>27 June 2011 to 1 July 2012 £ 000</b>
Profit on ordinary activities before taxation	<u>10,465</u>	<u>10,135</u>
Corporation tax at standard rate in the UK of 23.75% (2012 - 25.5%)	<u>2,485</u>	<u>2,584</u>
Total current tax	<u>2,485</u>	<u>2,584</u>

#### **Factors that may affect future tax charges**

The standard rate of corporation tax in the UK changed from 24% to 23% on 1 April 2013. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 23.75%.

There is no deferred tax balance as there are no temporary differences between accounting profit and profit for taxation purposes.

# **PizzaExpress Merchandising Limited**

## **Notes to the Financial Statements for the 52 weeks ended 30 June 2013**

..... *continued*

### **7 Debtors**

	<b>30 June 2013 £ 000</b>	<b>1 July 2012 £ 000</b>
Trade debtors	327	-
Amounts owed by group undertakings	57,768	47,762
Prepayments and accrued income	<u>2,179</u>	<u>3,541</u>
	<u>60,274</u>	<u>51,303</u>

Amounts due from group companies accrue interest at 4 per cent per annum and are repayable on demand

### **8 Creditors: Amounts falling due within one year**

	<b>30 June 2013 £ 000</b>	<b>1 July 2012 £ 000</b>
Amounts owed to group undertakings	9,235	7,936
Accruals and deferred income	<u>671</u>	<u>979</u>
	<u>9,906</u>	<u>8,915</u>

Amounts owing to group companies are repayable on demand

### **9 Called up share capital**

#### **Allotted, called up and fully paid shares**

	<b>30 June 2013</b>		<b>1 July 2012</b>	
	<b>Number</b>	<b>£</b>	<b>Number</b>	<b>£</b>
Ordinary Shares of £1 each	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

**PizzaExpress Merchandising Limited**

**Notes to the Financial Statements for the 52 weeks ended 30 June 2013**

*..... continued*

**10 Reserves**

	<b>Profit and loss account £ 000</b>
At 2 July 2012	42,388
Profit for the period	<u>7,980</u>
At 30 June 2013	<u><u>50,368</u></u>

**11 Reconciliation of movements in shareholders' funds**

	<b>52 weeks ended 30 June 2013 £ 000</b>	<b>53 weeks ended 1 July 2012 £ 000</b>
Profit attributable to the members of the company	<u>7,980</u>	<u>7,551</u>
Net addition to shareholders' funds	7,980	7,551
Shareholders' funds at start of period	<u>42,388</u>	<u>34,837</u>
Shareholders' funds at end of period	<u><u>50,368</u></u>	<u><u>42,388</u></u>

## **PizzaExpress Merchandising Limited**

### **Notes to the Financial Statements for the 52 weeks ended 30 June 2013**

**..... continued**

#### **12 Contingent liabilities**

The company, its fellow subsidiaries and parent undertakings (together the "Senior and Mezzanine Guarantors") are guarantors to a Senior Credit Facilities Agreement and a Mezzanine Facility Agreement (together the "Agreements") between Gondola Acquisitions Limited, Gondola Finance 2 Limited (parent undertakings of the company) and The Bank of Scotland plc

The amounts outstanding at the balance sheet dates for these loans were £465.3 million (2012 £487.5 million) under the Senior Facilities and £80.2 million (2012 £75.4 million) under the Mezzanine facility, including accrued interest

Each Senior and Mezzanine Guarantor irrevocably and unconditionally jointly and severally

- Guarantees to each finance party the punctual performance of each borrower, guarantor and charger (each an obligor) of all such obligor's obligations under the Agreements,
- Undertakes with each finance party that whenever an obligor does not pay any amount when due under or in connection with any Senior Finance Document, that the guarantor shall immediately on demand pay that amount as if it was the principal obligor, and
- Indemnifies each finance party immediately on demand against any cost, loss or liability suffered by that finance party as a result of the guarantee being unenforceable, invalid or illegal

The same companies have also provided security for all indebtedness, liabilities and obligations of any member of the group under the Agreements. The security comprises floating charges over all assets and undertakings of the Senior and Mezzanine Guarantors

#### **13 Cash flow statement**

The Company has taken advantage of the exemption provided by Financial Reporting Standard 1 not to produce a Cash Flow Statement on the grounds that a consolidated cash flow is produced by a parent company

#### **14 Related party transactions**

The Company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Gondola Group Limited group



## **PizzaExpress Merchandising Limited**

### **Notes to the Financial Statements for the 52 weeks ended 30 June 2013**

*..... continued*

#### **15 Ultimate parent undertakings**

The immediate parent company of PizzaExpress Merchandising Limited is PizzaExpress Limited, a limited company under the laws of England and Wales. The company is also an indirect subsidiary of Gondola Group Limited, a limited company under the laws of England and Wales and the largest group for which consolidated financial statements are prepared. The company is an indirect subsidiary of PizzaExpress Holdings Limited, a limited company under the laws of England and Wales, which is the smallest group for which consolidated financial statements are prepared. The financial statements of Gondola Group Limited and PizzaExpress Holdings Limited are available from the Company Secretary, 5th Floor, 2 Balcombe Street, London, NW1 6NW.

Gondola Group Limited's ultimate parent undertakings are Fourth Cinven Fund (No 1) LP, Fourth Cinven Fund (No 2) LP, Fourth Cinven Fund (No 3 - VCOC) LP, Fourth Cinven Fund (No 4) LP, Fourth Cinven Fund (UBTI) LP, Fourth Cinven Fund Co-Investment Partnership, Fourth Cinven (MACIF) LP and Fourth Cinven Fund (FCPR) (together the "Cinven Funds"), being funds managed and advised by Cinven Limited, a company incorporated under the laws of England and Wales.

Accordingly, the directors consider the company's ultimate controlling party to be Cinven Limited, the manager and advisor to the Cinven Funds.