

**Company Registration No. 07729514**

**FRIMLEY TOPCO LIMITED**

**Report and Financial Statements**

**From incorporation on 4 August 2011 to**

**31 January 2012**

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**FRIMLEY TOPCO LIMITED**

**REPORT AND FINANCIAL STATEMENTS 2012**

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# **FRIMLEY TOPCO LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2012**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

Henry Haven Burke	- Appointed 31 10 11
Richard Cheshire	- Appointed 28 10 11
Robert Christopher Hunt	- Appointed 28 10 11
Adrian Paul Lurie	- Appointed 28 10 11
Mark Storey	- Appointed 04 08 11

#### **SECRETARY**

Robert Christopher Hunt

#### **REGISTERED OFFICE**

Unit 4  
Albany Park  
Frimley Road  
Camberley  
Surrey  
GU16 7PQ

#### **BANKERS**

Santander  
Thames Valley Corporate Banking Centre  
5<sup>th</sup> Floor, Davidson House  
2, The Forbury  
Reading  
RG1 3EU

Barclays  
1 Churchill Place  
London  
E14 5HP

#### **AUDITOR**

Deloitte LLP  
Reading, UK

# FRIMLEY TOPCO LIMITED

## DIRECTORS' REPORT

For the period from 4 August 2011 to 31 January 2012

The directors present their annual report together with the audited financial statements for the period from incorporation on 4 August 2011 to 31 January 2012

### PRINCIPAL ACTIVITY

Frimley Topco is the parent company of Frimley Bidco Limited and Krispy Kreme UK Limited. Krispy Kreme is a leading branded specialty retailer and wholesaler of doughnuts. The premium quality doughnuts are prepared with quality ingredients, utilising a secret recipe in a vertically integrated production process. The whole doughnut process is visible to the customer creating a unique in-store retail experience in our Hotlight Stores.

### BUSINESS REVIEW

On 4 August 2011 Frimley Topco Limited was incorporated. On 5 August 2011 Frimley Bidco Limited was incorporated as a 100% subsidiary of Frimley Topco limited, and on 14 October 2011 Krispy Kreme UK Limited was acquired by Frimley Bidco Limited.

The results for the period are set out on page 7. The loss for the period of (£623,812) has been transferred from reserves.

During the period the Group opened one retail store and operated 45 stores at 31 January 2012 across the UK. There are plans to grow this considerably over the forthcoming years. Three further stores have been opened in April/May 2012, at sites in Merryhill, High Wycombe and Hull.

The Group continues to expand its wholesale business through the introduction of further in-store cabinets with its partners – Tesco, MOTO, Roadchef and Welcome Break.

On 14 October 2011 the management team of Krispy Kreme UK Ltd completed a buy-out of the business supported by Alcuin and Indigo, for the sum of £25m. Frimley Topco is the ultimate parent company of the resulting Group structure consisting of Frimley Topco limited which owns 100% of Frimley Bidco Limited. Frimley Bidco Ltd owns 100% of Krispy Kreme UK Ltd, with Alcuin, Indigo and senior management owning Frimley Topco Ltd. As part of this process a new development agreement was signed with Krispy Kreme Inc.

There have been no other events since the balance sheet which materially affect the position of the Group.

The Group will continue to grow by opening new stores and increasing the number of in-store cabinets with its partners.

### KEY PERFORMANCE INDICATORS (KPIs)

The Group uses a range of performance measures to monitor and manage the business effectively. These are both financial and non-financial measures.

The key financial measures are turnover, gross profit, profit before tax and EBITDA (calculated by taking the profit before tax and adding back depreciation, interest and amortisation and other items the company considers to be not related to trading including the management fee charges, foreign exchange losses and the loss on disposal of fixed assets). These KPI's indicate the size of our business along with our effectiveness in delivering those sales.

The key non-financial measures are Like-for-Like sales, foot-fall, average transaction value, mystery shopper score and brand awareness. The first four of these provide a measure of our success in attracting customers to our store, the value of the purchase they make once in-store and our success in serving the customers according to the Krispy Kreme standard. Brand awareness enables us to measure the success of our marketing activity.

The Group is proud of the fact that over 100,000 people per week visit Krispy Kreme stores and never loses sight of the fact that our guests are the lifeblood of our business.

The key financial measures for the period from 4 August 2011 to 31 January 2012 are shown below.

	4 August 2011 to 31 January 2012 £'000
Turnover	12,160
Gross profit	6,039
Gross profit margin	49.7%
Loss before tax	(476)
EBITDA	1,168

Profit before tax and EBITDA are in line with expectations.

# **FRIMLEY TOPCO LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

**For the period from 4 August 2011 to 31 January 2012**

### **DIVIDENDS**

The directors do not recommend the payment of a dividend

### **EMPLOYEE INFORMATION**

The number of employees at period-end is 970

The Group is committed to communicating with its employees in an open way through an annual employee survey and a series of 'listening groups'. Due to the nature of the business this communication primarily takes place at store level and so no formal employee involvement groups exist

The Group does not monitor the number of registered disabled employees. It is the policy of the Group and the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees

### **PRINCIPAL RISKS AND UNCERTAINTIES**

The majority of the Group's revenue comes from the sale of doughnuts. The Group is seeking to increase its revenues from other items and in 2011 continued to increase the sales of coffee and other beverages. The Group plans to continue to introduce new and exciting products during future years but remains committed to the manufacture and sale of premium quality doughnuts which will remain the bulk of revenue for the foreseeable future

The Group expects the economy in 2012 to be challenging but remains confident based on strong trading performance during the period 4 August 2011 to 31 January 2012. The Group believes that Krispy Kreme guests will continue to treat themselves and that if we continue to provide an excellent product and service experience for an affordable price then we should be able to maintain our historic growth

The Group's business activities and principal risks are detailed above. The Group is currently funded through a combination of a loan facility with Santander, Shareholder Loan Notes and equity. The bank loan facility is due to expire in 2015. The current economic environment creates uncertainty, particularly over the level of demand for the Krispy Kremes products. Having considered these risks and the current economic environment, the directors have reasonable expectation that the company has adequate resources and support to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual report and accounts

### **CHARITABLE AND POLITICAL DONATIONS**

During the period the Group made charitable and political donations of nil

### **DIRECTORS**

The directors of the Group who served during the period and to the date of signing this report are set out on page 1 of these accounts

### **AUDITOR**

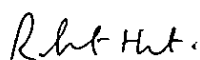
Each of the persons who is a director at the date of approval of this report confirms that

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

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

Deloitte LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting

By Order of the Board



Robert Hunt

Director

08 June 2012

**DIRECTORS' RESPONSIBILITIES STATEMENT**

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FRIMLEY TOPCO LIMITED**

We have audited the financial statements of Frimley Topco Limited for the period ended 31 January 2012 which comprise the Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditor**

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

**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 group's and the parent 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 annual 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 financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 January 2012 and of the group's loss for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

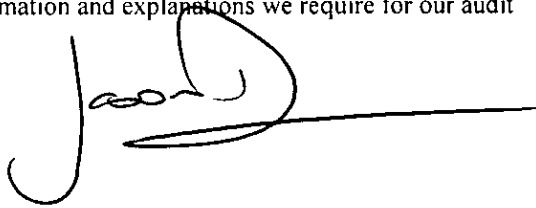
## FRIMLEY TOPCO LIMITED

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FRIMLEY TOPCO 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 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

A handwritten signature in black ink, appearing to read 'Jason', with a long horizontal line extending to the right.

Jason Davies (Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Reading, UK  
08 June 2012



# FRIMLEY TOPCO LIMITED

## CONSOLIDATED PROFIT AND LOSS ACCOUNT 31 January 2012

	Note	Period from 4 August 2011 to 31 January 2012 £
<b>TURNOVER</b>	2	12,159,607
Cost of sales		<u>(6,120,586)</u>
<b>GROSS PROFIT</b>		6,039,021
Administrative expenses		<u>(5,739,671)</u>
<b>OPERATING PROFIT</b>	3	299,350
Interest payable and similar charges	6	<u>(774,864)</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(475,514)
Taxation on profit on ordinary activities	7	<u>(148,298)</u>
<b>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION</b>	17	<u><u>(623,812)</u></u>

All amounts are derived from continuing activities

There are no other gains and losses in the period, other than those shown above. Accordingly no statement of total recognised gains and losses is presented

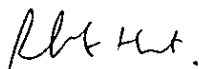
# FRIMLEY TOPCO LIMITED

## CONSOLIDATED BALANCE SHEET 31 January 2012

	Note	2012 £
<b>FIXED ASSETS</b>		
Goodwill	8	13,719,616
Intangible assets	9	316,849
Tangible assets	10	12,694,833
		<u>26,731,298</u>
<b>CURRENT ASSETS</b>		
Stocks	12	905,415
Debtors	13	2,573,878
Cash at bank and in hand		2,178,699
Deferred tax asset	7	1,219,892
		<u>6,877,884</u>
<b>CREDITORS: amounts falling due within one year</b>	14	<u>(7,397,495)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(519,611)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		26,211,687
<b>CREDITORS: amounts falling due after more than one year</b>	15	(26,825,499)
<b>NET LIABILITIES</b>		<u>(613,812)</u>
<b>CAPITAL AND RESERVES</b>		
Called up share capital	16	1,000
Share Premium	17	9,000
Profit and loss account	17	(623,812)
<b>SHAREHOLDERS' DEFICIT</b>	17	<u>(613,812)</u>

These financial statements of Frimley Topco Limited, registered number 07729514 were approved by the Board of Directors on 08 June 2012

Signed on behalf of the Board of Directors



Robert Christopher Hunt  
Director

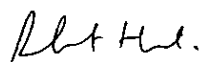
# FRIMLEY TOPCO LIMITED

## COMPANY BALANCE SHEET 31 January 2012

	Note	2012 £
<b>FIXED ASSETS</b>		
Investments	19	-
<b>CURRENT ASSETS</b>		
Debtors Due after one year	20	10,763 787
Cash at bank and in hand		330 847
		<u>11,094,634</u>
<b>CREDITORS: amounts falling due within one year</b>	21	<u>(2,000)</u>
<b>NET CURRENT ASSETS</b>		<u>11,092 634</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		11,092,634
<b>CREDITORS: amounts falling due after more than one year</b>	22	(11,317,164)
<b>NET LIABILITIES</b>		<u>(224,530)</u>
<b>CAPITAL AND RESERVES</b>		
Called up share capital	23	1,000
Share premium	24	9,000
Profit and loss account	24	(234 530)
<b>SHAREHOLDERS' DEFICIT</b>	24	<u>(224,530)</u>

These financial statements of Frimley Topco Limited, registered number 07729514 were approved by the Board of Directors on 08 June 2012

Signed on behalf of the Board of Directors



Robert Christopher Hunt  
Director

# FRIMLEY TOPCO LIMITED

## CONSOLIDATED CASH FLOW STATEMENT

For the period 4 August 2011 to 31 January 2012

	Note	Period from 4 August 2011 to 31 January 2012 £
<b>Net cash inflow from operating activities</b>	25	2,022,904
<b>Returns on investments and servicing of finance</b>		
Interest paid	6	(774,864)
<b>Net cash outflow from returns on investments and servicing of finance</b>		(774,864)
<b>Capital expenditure</b>		
Purchase of tangible fixed assets	10	(1,116,327)
Purchase of Krispy Kreme UK Ltd	11	(15,381,074)
		(16,497,401)
<b>Cash outflow before use of liquid resources and financing</b>		(15,249,361)
<b>Financing</b>		
New bank loans		653,769
Repayment of bank loans		(250,000)
Repayment of capital elements of hire purchase contracts		(52,701)
Shareholder loan and Mezzanine Debt		20,250,000
Repay Shareholder Loan to Cheshire and Kent		(3,173,008)
		17,428,060
<b>Increase in cash</b>		<u>2,178,699</u>

**NOTES TO THE ACCOUNTS (Cont)**

**Period from 4 August 2011 to 31 January 2012**

**1. ACCOUNTING POLICIES**

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

**Basis of consolidation**

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings up to 31 January. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

The Group's business activities and principal risks are detailed in the Directors' report on page 2. The Group is currently funded through a combination of a loan facility with Santander, Shareholder Loan Notes and equity. The bank loan facility has recently been renegotiated and is due to expire in 2015. Krispy Kreme UK revenues continue to grow in line with projections. The current economic environment creates uncertainty, particularly over the level of demand for the Group's products and pricing. Having considered these risks and the current economic environment, the directors have reasonable expectation that the company has adequate resources and support to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual report and accounts.

The following principal accounting policies have been applied consistently throughout the period.

**Turnover**

Turnover represents sales to customers at invoiced amounts less value added tax and discounts. Revenue is recognised at the point of sale.

**Tangible fixed assets**

Tangible fixed assets are stated at cost, less accumulated depreciation and any provision for impairment.

Depreciation is provided to write off the cost, less estimated residual value, of all fixed assets evenly over their expected useful lives. It is calculated on a straight line basis over the following periods:

Short-term leases and improvements	- over the length of the lease
Plant, machinery and motor vehicles	- 3-15 years
Fixtures, fittings and equipment	- 3-5 years

**Franchise and development fees**

Franchise and development fees are capitalised on acquisition of the initial franchise and development fee. Additional franchise and development fees are capitalised as the obligation arises.

**Amortisation of franchise and development fees**

Amortisation is provided to write off the cost, less estimated residual value, of all intangible assets in order to match the cost with the useful economic benefit. The franchise and development fee relating to each store is amortised over 15 years from the date of opening a new store.

Impairment tests on the carrying value of the franchise and development fees are undertaken:

- at the end of the first full financial year following acquisition,
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable, and
- for any amounts not being amortised at the end of each period.

**Goodwill**

Goodwill arising on the acquisition of subsidiary undertakings and businesses representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is twenty years. Provision is made for any impairment.

**NOTES TO THE ACCOUNTS (Cont)**

**Period from 4 August 2011 to 31 January 2012**

**1 ACCOUNTING POLICIES (CONTINUED)**

**Investments**

Fixed asset investments are shown at cost less provision for impairment

**Stocks**

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

Net realisable value is based on estimated selling price less additional costs to completion and disposal.

**Taxation**

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax at a future date, at rates expected to apply when they crystallize based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

**Hire purchase agreements and leased assets**

Where assets are financed by agreements that give rights approximating to ownership ('hire purchase arrangements'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account, over the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Reverse premiums and similar incentives to enter into operating lease agreements are initially recorded as deferred income and released to the profit and loss account over the period to the date on which the rent is first expected to be adjusted to the prevailing market rate.

**Pension costs**

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the period in which they become payable.

**Foreign currency translation**

Assets and liabilities denominated in foreign currencies are translated at the rate ruling at the accounting reference date. Any surplus or deficit on exchange has been credited or charged to the profit and loss account.

**NOTES TO THE ACCOUNTS (Cont)**

**Period from 4 August 2011 to 31 January 2012**

**2 TURNOVER**

Analysis by market

	<b>Period 4 August 2011 to 31 Jan 2012 £</b>
Retail sales	12,016,097
Sales to charitable organisations	143,510
	<u>12,159,607</u>

All turnover is derived from operations in the UK

**3 OPERATING PROFIT**

	<b>Period 4 August 2011 to 31 Jan 2012 £</b>
This has been arrived at after charging	
Depreciation of tangible fixed assets	657,874
Amortisation of Goodwill	202,184
Amortisation of intangible assets	8,113
Auditor's remuneration – audit fees of the Company	1,500
Auditor's remuneration – audit fees of the Group	11,385
Auditor's remuneration – non-audit fees	2,500
Operating leases – other	1,160,647
Net foreign exchange losses	12,790
Loss on disposal of fixed assets	258
	<u>1,956,341</u>

Total auditors remuneration for the Group including the full year fee for Krispy Kreme UK Limited is £58,130 (2011 £49,100) The figures in the table above represent the charge to the profit and loss account of the consolidated financial statements in the current period

The fee is broken down as follows

	<b>£</b>
<b>Audit fees</b>	
Audit fees of the Company	1,500
Audit fees of the Group and subsidiaries	43,035
<b>Total audit fees</b>	<u>44,535</u>
<b>Non-audit fees</b>	
Tax services	8,740
Other services	4,855
<b>Total non-audit fees</b>	<u>13,595</u>
<b>Total auditor's remuneration</b>	<u>58,130</u>

# FRIMLEY TOPCO LIMITED

## NOTES TO THE ACCOUNTS (Cont)

Period from 4 August 2011 to 31 January 2012

### 4. EMPLOYEES

	Period 4 August 2011 to 31 Jan 2012 £
<b>Staff costs during the period</b>	
Wages and salaries	3,387,438
Social security costs	243,741
Other pension costs	8,108
	<u>3,639,287</u>

The average number of employees (including directors) during the period 4 August 2011 to 31 January 2012 was 908, of which 29 were involved in administration and 879 in sales and distribution

The pension cost charged to income of £8,108 represents contributions payable to the defined contribution pension scheme. At 31<sup>st</sup> January 2012 contributions of £6,402 were due in respect of the current reporting period that had not been paid over to the scheme

### 5 DIRECTORS' REMUNERATION

	Period 4 August 2011 to 31 Jan 2012 £
Directors' emoluments	<u>283,129</u>

Two directors were in the Company's defined contribution pension scheme during the period

	Period 4 August 2011 to 31 Jan 2012 £
<b>Remuneration of the highest paid director.</b>	
Emoluments	<u>195,500</u>

### 6 INTEREST PAYABLE AND SIMILAR CHARGES

	Period 4 August 2011 to 31 Jan 2012 £
Bank loans	63,734
Shareholder loans	711,130
	<u>774,864</u>



# FRIMLEY TOPCO LIMITED

## NOTES TO THE ACCOUNTS (Cont)

Period from 4 August 2011 to 31 January 2012

### 7 TAXATION

Tax on loss on ordinary activities

Current tax

Period 4  
August  
2011 to 31  
Jan 2012  
£

UK Corporation tax on loss for the period

-

Total current tax

-

Deferred tax

2012  
£

Acquired on Acquisition

1,368,190

Current year movement

(148,298)

Deferred tax asset

1,219,892

Tax on loss on ordinary activities

(148,298)

## NOTES TO THE ACCOUNTS (Cont)

Period from 4 August 2011 to 31 January 2012

## 7 TAXATION (CONTINUED)

## Factors affecting tax charge for the current period

The tax assessed for the period is different from the standard rate of corporate tax in the UK of 26%. The differences are explained below

	Period 4 August 2011 to 31 Jan 2012 £
Loss on ordinary activities before taxation	(475,514)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 26%	(123,634)
Effects of	
Expenses not deductible for tax purposes	120,289
Difference between capital allowances and depreciation	(86,998)
Creation of tax losses	212,030
Origination and reversal of timing differences	(121,687)
Current tax charge for the year	-

Deferred tax	2012 £
Deferred tax	
Accelerated capital allowances	235,506
Tax losses	982,785
Other timing differences	1,601
Deferred tax asset	1,219,892
Deferred tax charge for the period	(148,298)
Provision at end of period	1,219,892

The deferred tax asset has been recognised because, in the opinion of the directors, there is now considered to be suitable taxable gains available in the foreseeable future

# FRIMLEY TOPCO LIMITED

## NOTES TO THE ACCOUNTS (Cont)

Period from 4 August 2011 to 31 January 2012

### 8 GOODWILL

	Goodwill £
<b>Cost</b>	
At 4 August 2011	-
Goodwill arising on acquisition in the period	13,921,800
	<u>13,921,800</u>
At 31 January 2012	<u>13,921,800</u>
<b>Accumulated depreciation</b>	
At 4 August 2011	-
Charge for the period	(202,184)
	<u>(202,184)</u>
At 31 January 2012	<u>(202,184)</u>
<b>Net book value</b>	
At 4 August 2011	-
At 31 January 2012	<u>13,719,616</u>

On 14 October 2011, Frimley Bidco Limited acquired 100% of the share capital of Krispy Kreme UK Limited, a company incorporated in the United Kingdom. The principal activity of the company is that of a branded specialty retailer and wholesaler of doughnuts. The consideration for the acquisition was £16,330,419 and the net assets acquired were £2,408,619 (see note 11).

### 9 INTANGIBLE ASSETS

	Franchise and development fees £
<b>Cost</b>	
At 4 August 2011	-
Acquired on Acquisition	324,962
	<u>324,962</u>
At 31 January 2012	<u>324,962</u>
<b>Accumulated depreciation</b>	
At 4 August 2011	-
Charge for the period	(8,113)
	<u>(8,113)</u>
At 31 January 2012	<u>(8,113)</u>
<b>Net book value</b>	
At 4 August 2011	-
At 31 January 2012	<u>316,849</u>

## NOTES TO THE ACCOUNTS (Cont)

Period from 4 August 2011 to 31 January 2012

## 10. TANGIBLE ASSETS

	Short-term leases and leasehold improvements £	Plant, machinery and motor vehicles £	Fixtures, fittings and equipment £	Total £
<b>Cost</b>				
At 4 August 2011	-	-	-	-
Acquired on Acquisition	8,435,275	3,247,198	554,165	12,236,638
Additions	769,357	296,167	50,803	1,116,327
Disposals	-	-	(258)	(258)
At 31 January 2012	<u>9,204,632</u>	<u>3,543,365</u>	<u>604,710</u>	<u>13,352,707</u>
<b>Depreciation</b>				
At 4 August 2011	-	-	-	-
Provided for the year	380,964	207,416	69,494	657,874
At 31 January 2012	<u>380,964</u>	<u>207,416</u>	<u>69,494</u>	<u>657,874</u>
<b>Net book value</b>				
At 4 August 2011	-	-	-	-
At 31 January 2012	<u>8,823,668</u>	<u>3,335,949</u>	<u>535,216</u>	<u>12,694,833</u>

The net book value of tangible fixed assets includes an amount of £925,091 in respect of assets held under hire purchase contracts. The related depreciation charge on these assets for the period was £52,701.

## NOTES TO THE ACCOUNTS (Cont)

Period from 4 August 2011 to 31 January 2012

## 11 ACQUISITIONS

On 14 October 2011, Frimley Bidco Limited acquired 100% of the share capital of Krispy Kreme UK Limited a company incorporated in the United Kingdom. The principal activity of the Company is branded specialty retailer and wholesaler of doughnuts. The consideration of the acquisition was £16,330,419 and the net assets acquired were £2,408,619.

The following tables set out the book values of the identifiable assets and liabilities acquired and their provisional fair values.

	£
Total consideration	15,737,019
Capitalised transaction costs	593,400
Provisional fair value of net assets acquired (see below)	<u>(2,408,619)</u>
<b>Goodwill (see note 8)</b>	<u><b>13,921,800</b></u>

The provisional fair value of assets acquired equates to book value. The provisional fair value of net assets acquired was as follows:

	Book value £
Intangible assets	324,962
Tangible assets	12,236,638
Stock	778,651
Debtors	2,315,774
Cash	949,345
Deferred tax asset	1,368,190
Creditors – due in less than one year	(7,135,670)
Creditors – due in more than one year	<u>(8,429,271)</u>
	<u><b>2,408,619</b></u>

Net cash outflows as a result of the acquisition comprised:

	£
Total cash consideration paid	(16,330,419)
Cash at bank and in hand acquired	<u>949,345</u>
<b>Total cash outflow</b>	<u><b>(15,381,074)</b></u>

Krispy Kreme UK Limited earned a profit after taxation of £1,296,145 in the year ended 31 January 2012 (year ended 31 January 2011: loss after taxation of £239,276), of which £653,228 arose in the period from 1 February 2011 to 14 October 2011. The summarised profit and loss account for 1 February 2011 to 31 January 2012, shown on the basis of the accounting policies of Krispy Kreme UK Limited prior to the acquisition, is as follows:

	Year ended 31 January 2012 £
Turnover	42,269,332
Operating profit	1,400,003
Profit before tax	1,018,861
Profit after tax	<u>1,296,145</u>

# FRIMLEY TOPCO LIMITED

## NOTES TO THE ACCOUNTS (Cont)

Period from 4 August 2011 to 31 January 2012

### 12 STOCKS

	2012 £
Raw materials and consumables	360,679
Finished goods and goods for resale	544,736
	<u>905,415</u>

There is no material difference between the replacement cost of stocks and the amounts stated above

### 13 DEBTORS

	2012 £
Trade debtors	1,036,326
Other debtors	299,844
Prepayments and accrued income	1,237,708
	<u>2,573,878</u>

All amounts shown under debtors fall due within one year

### 14. CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012 £
Bank loans (secured – see note 15)	1,000,000
Obligation under hire purchase contracts	266,924
Trade creditors	4,008,830
Taxation and social security	298,452
Other creditors	420,080
Earn out accrual	300,000
Accruals and deferred income	1,103,209
	<u>7,397,495</u>

# FRIMLEY TOPCO LIMITED

## NOTES TO THE ACCOUNTS (Cont)

Period from 4 August 2011 to 31 January 2012

### 15 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2012 £
Bank loans (secured – see below)	5,598,876
Mezzanine debt	9,038,137
Shareholder loan notes	11,317,164
Obligations under hire purchase contracts	871,322
	<u>26,825,499</u>

#### Maturity of debt

	Bank loans 2012 £	Mezzanine Debt 2012 £	Hire purchase 2012 £	Shareholder Loan Notes 2012 £
Within one year or on demand (note 14)	1,000,000	-	266,924	-
Between one and two years	1,000,000	-	266,924	-
Between two and five years	4,598,876	-	604,398	-
After more than five years	-	9,038,137	-	11,317,164
	<u>6,598,876</u>	<u>9,038,137</u>	<u>1,138,246</u>	<u>11,317,164</u>

The bank loans are secured by fixed and floating charges over the Group's assets

# FRIMLEY TOPCO LIMITED

## NOTES TO THE ACCOUNTS (Cont)

Period from 4 August 2011 to 31 January 2012

### 16 SHARE CAPITAL

<b>Equity share capital</b>	<b>2012</b>
	<b>£</b>
<b>Authorised</b>	
100,000 ordinary shares of 1p each	1,000
	<u>1,000</u>
	<b>2012</b>
	<b>£</b>
<b>Allotted and called up</b>	
100,000 ordinary shares of 1p each	1,000
	<u>1,000</u>

Frimley Topco Limited was incorporated on 4 August 2011 at which point, 100,000 ordinary shares with a nominal value of £0.01 were allotted. The consideration received for the share allotment was £10,000.

### 17 RESERVES

	<b>Share capital</b>	<b>Share Premium</b>	<b>Profit and loss account</b>	<b>2012 Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 4 August 2011	1,000	9,000	-	10,000
Loss for the year	-	-	(623,812)	(623,812)
At 31 January 2012	<u>1,000</u>	<u>9,000</u>	<u>(623,812)</u>	<u>(613,812)</u>

### 18 COMMITMENTS UNDER OPERATING LEASES

As at 31 January 2012, the Company had annual commitments under non-cancellable operating leases as set out below:

	<b>Land and buildings</b>
	<b>2012</b>
	<b>£</b>
Operating leases which expire	
Within one year	795,547
In two to five years	881,646
In over five years	2,738,453
	<u>4,415,646</u>



# FRIMLEY TOPCO LIMITED

## NOTES TO THE ACCOUNTS (Cont)

Period from 4 August 2011 to 31 January 2012

### 19. INVESTMENTS

Company	Investments in subsidiary under- takings £
Cost and net book value	
At 31 January 2012	-

The following investments were held at the end of the period

Name of undertaking	Description of shares held	Principal activity	Shareholding
Frimley Bidco Limited	Ordinary shares of £0.01 each	Holding company	100%
Krispy Kreme UK Limited	Ordinary and deferred shares of £0.01 each	Trading company	100%*

\* signifies an indirect holding

Frimley Topco Limited holds the entire issued share capital and voting rights of Frimley Bidco Limited  
Frimley Bidco Limited was incorporated on 5 August 2011

Frimley Bidco Limited holds the entire issued share capital and voting rights of Krispy Kreme UK Limited  
The shares were acquired on 14 October 2011

All subsidiary undertakings are incorporated in England and Wales and are included in the Group consolidation

# FRIMLEY TOPCO LIMITED

## NOTES TO THE ACCOUNTS (Cont)

Period from 4 August 2011 to 31 January 2012

### 20 DEBTORS DUE AFTER ONE YEAR (COMPANY ONLY)

	2012 £
Amounts due from subsidiary undertakings	10,763,787
	<u>10,763,787</u>

### 21 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR (COMPANY ONLY)

	2012 £
Trade creditors	2 000
	<u>2,000</u>

### 22 CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (COMPANY ONLY)

	2012 £
Shareholder loan notes	11,317,164
	<u>11,317,164</u>

Maturity of debt

	Shareholder Loan Notes 2012 £
Within one year or on demand	-
Between one and two years	-
Between two and five years	-
After more than five years	11,317,164
	<u>11,317,164</u>

All other amounts fall due for payment within five years

# FRIMLEY TOPCO LIMITED

## NOTES TO THE ACCOUNTS (Cont)

Period from 4 August 2011 to 31 January 2012

### 23 SHARE CAPITAL (COMPANY ONLY)

<b>Equity share capital</b>	<b>2012</b>
	<b>£</b>
<b>Authorised</b>	
100,000 ordinary shares of 1p each	1,000
	<u>1,000</u>
	<b>2012</b>
	<b>£</b>
<b>Allotted and called up</b>	
100,000 ordinary shares of 1p each	1,000
	<u>1,000</u>

The Company was incorporated on 4 August 2011 at which point, 100,000 ordinary shares with a nominal value of £0.01 were allotted. The consideration received for the share allotment was £10,000.

### 24 RESERVES (COMPANY ONLY)

	<b>Share capital</b>	<b>Share Premium</b>	<b>Profit and loss account</b>	<b>2012 Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
At 4 August 2011	1,000	9,000	-	10,000
Loss for the year	-	-	(234,530)	(234,530)
At 31 January 2012	<u>1,000</u>	<u>9,000</u>	<u>(234,530)</u>	<u>(224,530)</u>

## NOTES TO THE ACCOUNTS (Cont)

Period from 4 August 2011 to 31 January 2012

**25 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	<b>2012</b>
	<b>£</b>
Operating profit	299,350
Depreciation	657,874
Amortisation of Goodwill	202,184
Amortisation of intangible assets	8,113
Increase in stock	(126,764)
Increase in debtors	(258,104)
Increase in creditors	1,227,723
Loss on disposal of fixed asset	258
Lease incentives	12,270
	<hr/>
Net cash inflow from operating activities	2,022,904
	<hr/>

**26 RECONCILIATION OF NET CASH INFLOW/(OUTFLOW) TO MOVEMENT IN NET DEBT**

	<b>2012</b>
	<b>£</b>
Increase in cash in the year	2,178,699
Movement in net debt in the year resulting from acquisitions and cash flows	(28,092,423)
	<hr/>
	(25,913,724)
Opening net debt	-
	<hr/>
Closing net debt	(25,913,724)
	<hr/>

## NOTES TO THE ACCOUNTS (Cont)

Period from 4 August 2011 to 31 January 2012

## 27. ANALYSIS OF NET DEBT

	As at 4 August 2011 £	As at 15 October 2011 (acquisition) £	Cash flow £	Non-cash flow £	2012 £
Cash	-	-	2,178,699	-	2,178,699
<b>Falling due within one year</b>					
Debt due within one year	-	(1,266,924)	-	-	(1,266,924)
Debt due after one year	-	(25,954,177)	-	-	(25,954,177)
Obligations under hire purchase agreements	-	(871,322)	-	-	(871,322)
	-	(28,092,423)	-	-	(28,092,423)
<b>Total due</b>	-	(28,092,423)	2,178,699	-	(25,913,724)

## 28. ULTIMATE CONTROLLING PARTY

Frimley Topco Limited is the ultimate parent undertaking of the Group and it is the only group company to consolidate these financial statements for the period ended 31 January 2012

The Directors' are of the opinion there is no single controlling party of the Group

## 29. RELATED PARTY TRANSACTIONS

An amount of £11,317,164 was outstanding at the period end relating to shareholder loan notes with Alcuin Capital Partners LLP

An amount of £9,038,137 was outstanding at the period end relating to a Mezzanine debt facility with Indigo Capital LLP