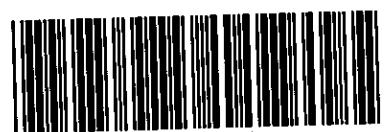


Caffè Nero Americas Limited

Report and Financial Statements

31 May 2023

MONDAY



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26/02/2024
COMPANIES HOUSE

Company Information

Directors

G W Ford

B J Price

Secretary

B J Price

Auditor

Ernst & Young LLP

1 More London Place

London SE1 2AF

Solicitors

Linklaters

1 Silk Street

London EC2Y 8HQ

Registered Office

9-15 Neal Street

London

United Kingdom

WC2H 9QL

Registered No. 08739070

Directors' report

The directors present their report and financial statements for the year ended 31 May 2023.

Results and dividends

The Company made a loss before taxation for the year of £2.9m (2022 – £3.2m). No dividend is proposed (2022 – £nil).

Principal activity

The Company is the parent undertaking of Caffè Nero Americas Inc. This Company has been established to exploit the Caffè Nero brand in the US.

Directors

The directors who served the Company during the year to the date of approving these financial statements for issue were as follows:

G W Ford

B J Price

Going concern

In forming their conclusion, the directors have received confirmation of parental support and that the Company's fellow group undertakings will not seek repayment of their intra-group loans presented as current liabilities until such time as the Company is able to repay these liabilities. The Company is controlled by the Nero Group Limited, and in making their assessment the directors have therefore considered the going concern position of the Nero Group Limited, which is explained below.

The financial statements have been prepared on a going concern basis which assumes that the Group and Parent Company will be able to meet its liabilities as they fall due for the foreseeable future. The directors have looked out to November 2024 to make their going concern assessment, which is considered appropriate as it is the period over which there is the most visibility. The directors have prepared a detailed budget as well as forecast and cash flow projection models which have been stress tested to allow them to assess the going concern assumption. The budget and forecasts indicate that the Group can continue as a going concern under a base case scenario and after stress tests are applied. These stress tests factored in current economic conditions including inflationary adjustments. As at the date of signing these accounts, the Group is ahead of its budget and forecasts for the period starting 1 June 2023.

Having made due and careful enquiry, the directors have satisfied themselves that the Group and Parent Company should continue to adopt the going concern basis in preparing its financial statements.

Audit Exemption

In accordance with section 479A of the Companies Act 2006, the company has opted to use its exemption from audit under parental guarantee for the year ended 31 May 2023.

Small companies note

In preparing the report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

Disclosure of information to the auditor

Each director at the time when this Directors' report is approved has confirmed that;

- so far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all the steps that ought to have been taken as directors' in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Reappointment of auditor

In accordance with section 487 of the Companies Act 2006, the Company has elected to dispense with the obligation under section 485 of the Companies Act 2006 to appoint auditors annually. Ernst & Young LLP are deemed to continue in office until further notice.

On behalf of the Board



Ben Price
Director
6 October 2023

Directors Responsibilities Statement

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom 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 conformity with the requirements of the Companies Act 2006 including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). 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 in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company's financial position and financial performance;
- in respect of the financial statements, state whether FRS 101, 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 appropriate to presume that the company will not 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.

Statement of Comprehensive Income

for the year ended 31 May 2023

	Notes	2023 £000	2022 £000
Impairment of investment in subsidiaries	2	(2,928)	(3,215)
Loss before taxation		(2,928)	(3,215)
Income tax	4	-	-
Loss for the year		(2,928)	(3,215)
Other comprehensive income		-	-
Total comprehensive loss		(2,928)	(3,215)

All amounts relate to continuing activities.

Statement of Financial Position

at 31 May 2023

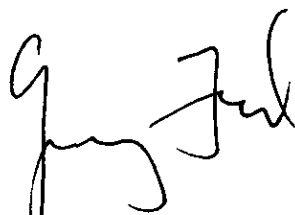
	Notes	2023 £000	2022 £000
Fixed assets			
Investment in subsidiary undertaking	2	-	-
Creditors: amounts falling due within one year			
Amounts due to other group companies		(38,146)	(35,218)
Net liabilities		<u>(38,146)</u>	<u>(35,218)</u>
Capital and reserves			
Share capital	5	-	-
Retained earnings		(38,146)	(35,218)
Shareholders' equity		<u>(38,146)</u>	<u>(35,218)</u>

For the financial year ending 31 May 2023 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476; and
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

The financial statements were approved by the Board of Directors on 6 October 2023 and signed on its behalf by:


Gerry Ford
Director


Ben Price
Director

Statement of Changes in Shareholders' Equity

for the year ended 31 May 2023

	<i>Share capital</i> £000	<i>Retained earnings</i> £000	<i>Total</i> £000
At 01 June 2021	–	(32,003)	(32,003)
Total comprehensive loss for the year	-	(3,215)	(3,215)
At 31 May 2022	-	(35,218)	(35,218)
Total comprehensive loss for the year	-	(2,928)	(2,928)
At 31 May 2023	-	(38,146)	(38,146)

Notes to the financial statements

at 31 May 2023

1. Accounting policies

Authorisation of financial statements and statement of compliance

The financial statements were authorised for issue by the Board of Directors on 29 September 2023. Caffè Nero Americas Limited is a private limited company incorporated on 18 October 2013 and domiciled in England and Wales.

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with the provisions of the Companies Act 2006 as applied in the context of the small companies regime.

These financial statements have been prepared for the individual company only. The Company has taken advantage of the exemption available under section 400 of the Companies Act 2006 not to prepare group financial statements as the results of the Company are included in the consolidated financial statements of an intermediate parent undertaking and are publicly available (as set out in note 8).

Basis of preparation

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

- (a) the requirements of IFRS 7 '*Financial Instruments*'
- (b) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 '*Presentation of Financial Statements*'
- (c) the requirements of paragraph 17 of IAS 24 '*Related Party Disclosures*'
- (d) the requirements in IAS 24 '*Related Party Disclosures*' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which a party to the transaction is wholly owned by such a member; and
- (e) the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 '*Impairment of Assets*'.
- (f) the requirements of paragraph 91-99 of IFRS 13 '*Fair Value Measurement*', this exemption requires that equivalent disclosures are included in the financial statements of the group in which the entity is consolidated
- (g) the requirements of IAS 7 '*Statement of Cash Flows*';

The financial statements are presented in Sterling which is the functional and presentational currency of the Company and all values are rounded to the nearest thousand (£000) except as otherwise indicated.

Notes to the financial statements

at 31 May 2023

1. Accounting policies (continued)

New standards and interpretations not yet adopted

At the date of the authorisation of these financial statements, the Company has not applied the following new and revised IFRSs that have been issued but are not yet effective and had not yet been adopted by the Board:

- Classification of Liabilities as Current or Non-Current – Amendments to IAS 1 (effective date 1 January 2023)
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2 (effective date 1 January 2023)
- Disclosure of Accounting Estimates - Amendments to IAS 8 (effective date 1 January 2023)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction- Amendments to IAS 12 (effective date 1 January 2023)

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Company in future years.

New standards effective for the current financial year

There has been no material impact on the Financial Statements as a result of:

- Property, plant and equipment: Proceeds before intended use – Amendments to IAS 16 (effective date 1 January 2022)

No 2022 amounts have been restated as a result of these standards becoming effective nor have the current year figures changed as a result of their application.

Going concern

In forming their conclusion, the directors have received confirmation of parental support and that the Company's fellow group undertakings will not seek repayment of their intra-group loans presented as current liabilities until such time as the Company is able to repay these liabilities. The Company is controlled by the Nero Group Limited, and in making their assessment the directors have therefore considered the going concern position of the Nero Group Limited, which is explained below.

The financial statements have been prepared on a going concern basis which assumes that the Group and Parent Company will be able to meet its liabilities as they fall due for the foreseeable future. The directors have looked out to November 2024 to make their going concern assessment, which is considered appropriate as it is the period over which there is the most visibility. The directors have prepared a detailed budget as well as forecast and cash flow projection models which have been stress tested to allow them to assess the going concern assumption. The budget and forecasts indicate that the Group can continue as a going concern under a base case scenario and after stress tests are applied. These stress tests factored in current economic conditions including inflationary adjustments. As at the date of signing these accounts, the Group is ahead of its budget and forecasts for the period starting 1 June 2023.

Having made due and careful enquiry, the directors have satisfied themselves that the Group and Parent Company should continue to adopt the going concern basis in preparing its financial statements.

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported

Notes to the financial statements

at 31 May 2023

1. Accounting policies (continued)

for revenues and expenses during the year. The nature of estimation means that actual outcomes could differ from those estimates.

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements

The following are the critical judgements (apart from those involving estimations), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

Legal claims and contingency liabilities

Management judgement along with legal counsel advice is required to determine the risk of any claims brought against the Company crystallising into a future liability. When it is more likely than not that a claim will be lost by the Company and a material liability will crystallise, a provision is recorded in the financial statements. Where there is a risk of losing a material case but it is more likely than not to crystallise the Company discloses a contingent liability in its financial statements.

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 the assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when these financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Impairment of investments

Investments in subsidiaries are stated at cost less provision for impairment.

The Company assesses at each reporting date whether there is an indication that an investment may be impaired. If any such indication exists, the Company makes an estimate of the investment's recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

The investment was impaired in full during the year, further details are provided in note 2.

Financial assets

Financial assets are recognised when the Company becomes party to the contracts that give rise to them and are classified as financial assets at fair value. The Company determines the classification of its financial assets at initial recognition and re-evaluates this designation at each financial year end. Financial assets are classified, at initial recognition and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), or fair value through profit or loss.

The classification of financial assets on initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

Notes to the financial statements

at 31 May 2023

1. Accounting policies (continued)

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flow that are 'Solely payments of principal and interest (SPPI)' on the principal amount outstanding. The assessment is referred to as SPPI test and is performed at instrument level.

Financial assets (continued)

Financial assets with cash flows that are not SPPI are classified and measured at fair value through Statement of profit and loss account (called the Statement of Comprehensive income in these accounts), irrespective of business model.

The Company's business model for managing financial assets refers to how it manages its financial assets to generate cash flows. The business model determines whether cash flows will result from collecting contractual cashflows, selling the financial asset, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Financial assets at amortised cost – loans and receivables

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Impairment and collectability of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, an impairment loss is recognised as an expense in the Statement of Comprehensive Income. Impairment is determined as follows;

- For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previous recognised in the Statement of Comprehensive Income;
- For assets carried at cost, impairment is the difference between the carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- For assets carried at amortised cost, impairment is the difference between the carrying amount and the present value of future cash flows discounted at the original effective interest rate.
- For receivables and amounts due from other group companies, the Company applies the simplified approach permitted by IFRS 9, with lifetime expected credit losses (ECLs) recognised from initial recognition of the receivable. These assets are grouped, based on shared credit risk characteristic and days past due, with ECLs for each group determined, based on the Company's historic credit loss experience. Adjustments are made for factors specific to each receivable, general economic conditions and expected changes in forecast conditions.

Derecognition of financial assets

A financial asset (or, where applicable as part of a financial asset or part of a group of similar financial assets) is derecognised when the right to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Notes to the financial statements

at 31 May 2023

1. Accounting policies (continued)

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are measured at amortised cost.

Financial liabilities at amortised cost - amounts due to other group companies

Amounts due from group undertakings and other payables are non-interest bearing and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Income taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- Where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and"
- Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. Deferred tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred taxes relate to the same taxation authority and that authority permits the Company to make a single net payment.

Capital instruments

Ordinary shares, share premium and capital contribution are classified as equity instruments. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if not they are included in equity.

Notes to the financial statements

at 31 May 2023

2. Investments in subsidiary undertaking

	2023	2022
	£000	£000
Cost:		
At 1 June	-	-
Investment during the year	2,928	3,215
Impairment	(2,928)	(3,215)
At 31 May	-	-

Details of group undertakings

Details of the investments in which the Company holds 20% or more of the nominal value of any class of share capital are as follows:

Name of Company	Holding	Proportion of voting rights and shares held	Nature of Business
Caffè Nero Americas Inc (incorporated in the United States)	Ordinary shares	100%	Coffee retail

During the year an additional £2.9m was invested in Caffè Nero Americas Inc. to assist with the funding of the store expansion in America. An Impairment has been recorded against the full value of the investment as a result of weaker trading and reduced cash flows. The impairment review only took into account the future forecast performance of the current store portfolio of sites, short of the critical mass required to deliver an overall cash profit. The review did not take account of future profitable new stores that are expected to be opened in the coming years.

3. Auditors' remuneration and directors' remuneration

Auditors' remuneration and fees for non-audit services for 2023 and 2022 have been met by another group company.

No remuneration was paid or is payable to the directors in their capacity as directors of the Company (2022 – £nil). The directors of this Company are also directors of a fellow group undertaking, Nero Holdings Limited, who paid the directors remuneration and pension contributions of £0.9m (2022 – £0.8m) in respect of services to the enlarged UK Group of which the Company is a member. It is not possible to identify the proportion of these remuneration that relate to services to this Company.

The highest paid director was paid remuneration of £524k (2022: £491k). No pension contribution was paid due to the director opting out of his pension membership during the year.

The Company had no staff during the current or prior year.

Notes to the financial statements

at 31 May 2023

4. Income tax

No income tax is payable for the year (2022 – £nil).

The tax assessed for the year differs from the standard average rate of corporation tax in the UK of 20.00% (2022 – 19.00%). The differences are explained below:

	2023 £000	2022 £000
Loss on ordinary activities before tax	(2,928)	(3,215)
Tax on ordinary activities multiplied by the standard average rate of corporation tax in the UK of 20.00% (2022 – 19.00%)	(586)	(611)
<i>Effects of:</i>		
Transfer pricing adjustments	-	(357)
Group relief claimed	-	357
Expenses not deductible for tax purposes	(586)	(611)
Income tax loss reported in the statement of comprehensive income	-	-

(a) Deferred tax

There is no deferred tax in the current or prior year.

On 22 October 2022 the Chancellor of the Exchequer announced that the corporation tax rate would increase to 25% from 1 April 2023.

5. Authorised and issued share capital

	2023 £000	2022 £000
<i>Authorised</i>		
Ordinary shares of £1 each	-	-
	2023	2022
<i>Allotted, called up and fully paid during the year</i>	No. £000	No. £000
Ordinary shares of £1 each	2 -	2 -

6. Contingent liability

The Company is part of a group which had provided an unlimited cross guarantee in favour of the bankers of an intermediate parent, The Nero Group Ltd, in the prior year covering the term loans of The Nero Group Ltd and certain subsidiaries. In the current year the cross guarantee covers the term loans of Caffè Nero Group Holdings Ltd held in Rome Bidco Ltd. Both companies are also subsidiaries of The Nero Group Ltd. The carrying value of these loans at 31 May 2023 was £370 million (2022 – £363 million).

Notes to the financial statements

at 31 May 2023

7. Related party transactions

In accordance with IAS 24, the Company has taken advantage of the related party disclosure exemption from disclosing transactions and balance with other wholly owned companies within 'The Nero Group Ltd'.

8. Ultimate parent undertaking

At the year end, the ownership structure is as follows:

Immediate parent undertaking	Caffè Nero Investments Ltd ⁽¹⁾
Parent undertaking of the smallest group for which group financial statements are prepared that include the results of the Company	Caffè Nero Group Holdings Ltd ⁽²⁾
Parent undertaking of the largest group for which group financial statements are prepared that include the results of the Company	The Nero Group Ltd ⁽²⁾
Largest shareholder of The Nero Company	G W Ford ⁽³⁾

⁽¹⁾ Copies of the financial statements for Caffè Nero Investments Ltd can be obtained from 9-15 Neal Street, London, WC2H 9QL.

⁽²⁾ Copies of the group financial statements for The Nero Group Ltd and Caffè Nero Group Holdings can be obtained from 9-15 Neal Street, London, WC2H 9QL.

⁽³⁾ G W Ford is the largest shareholder of the group of which the company is a member. No single party controls the group.