**Mabel Mezzco Limited**

**Full Year Report and Business Overview as at and for the 52 weeks ended April 23, 2017 ("Financial Year 2017")**

## General information

Wagamama operates popular award winning pan-Asian inspired noodle restaurants based in the United Kingdom. In addition to our Company-operated restaurants across the United Kingdom and the United States, we have franchised restaurants operating in 19 countries around the world spread across Western Europe, Eastern Europe, the Middle East and New Zealand.

Wagamama offers fresh, pan-Asian cuisine in a friendly, vibrant setting. Our menu features a wide variety of noodle and rice dishes, as well as salads and side dishes, juices, hot drinks, wine, sake and Asian-branded beers. Freshness and quality are two ingredients that we believe go into every dish. Many wagamama signature dishes can be found in all of our restaurants across the globe and we also have local specialties that take advantage of regional ingredients and tastes.

## Full Year 2017 highlights

### Financial highlights

- Turnover increased 15.8% to £266.1 million in Financial Year 2017 primarily due to the continued expansion of our restaurants in the UK (four new openings in the period (net of six closures)) and 8.2% UK like for like sales growth.

- Adjusted EBITDA up 17.6% in Financial Year 2017 to £45.5 million from £38.7 million for the 52 weeks ended April 24, 2016 ("**Financial Year 2016**").

- Adjusted EBITDA margin at 17.1% in Financial Year 2017 compared to 16.9% in Financial Year 2016.

### Operational highlights

- 10 new restaurants in Financial Year 2017.

- 16 refurbishments have been completed, bringing Kaizen design to the existing estate.

- Continued measured development and roll-out of UK Company-owned restaurants.

- A record year for our Boston locations and a strong start in our debut restaurant in New York.

- Deliveroo (delivery operation) now available in 92 restaurants.

***Key factors affecting comparability***

*Restaurant openings*

A significant portion of the growth of our turnover during Financial Year 2017 is attributable to turnover from newly opened restaurants. We plan to continue to open new Company-operated restaurants in the United Kingdom and the United States where we believe there is opportunity for growth and to open new franchise restaurants in countries where we believe there is an opportunity for profitable expansion.

We opened 10 new Company-operated restaurants in each of Financial Years 2016 and 2017. In the United Kingdom, we opened new restaurants in Central London, city centres, and shopping centres. Some of these openings have been replacements for existing restaurants where preferred locations have become available. We also opened our first restaurant in New York City in Financial Year 2017. In the next 12 months, we expect to open approximately 10 new restaurants in the United Kingdom as well as a second restaurant in New York City and a new restaurant in Boston.

The table below shows the number of our Company-operated and franchised restaurants as at the following dates:

| | **As at the Financial Year ended** | |
|---|---|---|
| | **April 24, 2016** | **April 23, 2017** |
| Company-operated restaurants[1] | 124 | 128 |
| *United Kingdom restaurants* | 120 | 124 |
| *United States restaurants* | 4 | 4 |
| *Company-operated restaurant openings during the period* | 10 | 10 |
| *Company-operated restaurants closures during the period*[2] | (1) | (6) |
| Franchised[3] | 35 | 44 |
| **Total** | 159 | 172 |

(1) Company-operated restaurants include all of our restaurants in the United Kingdom and the United States.
(2) The closures in Financial Years 2016 and 2017 were due to one relocation, closure of certain low profit locations and the expiration of certain leases.
(3) Franchised restaurants as at the dates listed were located in Belgium, Greece, Ireland, Malta, The Netherlands, Northern Ireland, Denmark, Sweden, Cyprus, Slovakia, Turkey, Qatar, United Arab Emirates, Bahrain, New Zealand, Gibraltar, Saudi Arabia, Bulgaria and Spain.

*Financial periods*

We typically have four 13-week accounting periods each financial year. Each accounting period ends on a Sunday and our financial year of the business ends on the Sunday nearest to April 30. Each of Financial Year 2016 and Financial Year 2017 was a 52-week period. However, from time to time, the financial accounting period may cover a 53-week period, which may impact the comparability of our results in the future.

*Seasonality*

We have limited seasonality in our sales with all periods contributing somewhat evenly to the total year performance, except that the half term holiday, Christmas and Easter periods contribute slightly more on average.

### *Key factors affecting our results of operations and financial condition*

Factors affecting our results of operations and financial condition include:

*Like-for-like sales growth*

We define like-for-like sales as sales from our UK restaurants that traded for at least 17 full four-week periods. Restaurants are included on a rolling basis as each new restaurant is included in the like-for-like comparison once it has traded for 17 full four-week periods. Any week in which a restaurant did not have revenue and the preceding and following week are excluded both in the period considered and in the comparative period. Like-for-like sales growth for Financial Years 2016 and 2017 are based on 52 weeks. Like-for-like sales growth is affected by footfall, the number of customers we serve during a given period, and by the average spend per head of each customer. The key drivers of average spend per head include (i) the number of products per ticket, (ii) overall product mix and (iii) product pricing.

*General economic conditions and trends in consumer spending*

Our results of operations and financial condition are strongly impacted by general economic developments in the United Kingdom, where we generated 96.8% and 97.3% of Company-operated turnover for Financial Year 2017 and Financial Year 2016, respectively, that affect consumer spending generally, as well as specific factors that affect consumer demand for casual dining experiences. General economic factors affecting consumer spending on casual dining include macroeconomic conditions, unemployment levels, consumer confidence and levels of discretionary income. A change in these factors encourages consumers to adopt a more considered approach to discretionary spending, and consumers may not dine out, preferring to prepare food at home, or may be more likely to comparison shop for the best promotional deals from restaurants, which can reduce footfall at our restaurants and average spend per head (as we typically do not rely on discounting to drive traffic to our restaurants). For example, the potential impacts of Brexit or the uncertainty relating to Brexit could negatively affect consumer confidence and potentially reduce consumer spending. Additionally, consumer price inflation in the United Kingdom recently started to outpace wage growth, which could lead to lower spending by consumers.

Similar trends affect turnover in restaurants in our international markets. However, we are exposed to a much lesser degree to such trends, as we only generated 3.2% and 2.7% of our turnover from our Company-operated US restaurants and international franchised restaurants in Financial Year 2017 and Financial Year 2016, respectively. In Financial Year 2017, our US Company-operated restaurants generated turnover of £8.3 million and we generated £2.6 million turnover from our international franchising restaurants.

*Food and drink costs*

We source a wide range of ingredients, including meat, fresh produce and noodles to create our meals. Many of the ingredients we use in our preparation processes are commodities and are subject to price volatility. Our food and drink costs were 21.3 % of our total operating costs in Financial Year 2017.

We seek to optimise spending on ingredients and reduce our exposure to price fluctuations through a variety of measures, including regular review of our supply contracts, fixed price contracts, negotiation of cost savings, which we are able to undertake as a result of our scale and long-term relationships with suppliers and the expansion of our central kitchen operation over time to provide for a more cost-effective use of preparation time and ingredients. In addition, we continuously review our specifications, menu offerings and recipes to make appropriate changes if necessary in order to minimise adverse effects on our profitability and food costs without detriment to quality.

We have long-term relationships with most suppliers, whilst also entering into a mix of short-term and long-term contracts, depending on market outlook. Most of our supply contracts, such as the one with our squid supplier are 6 to 12 month contracts, but certain of our supply agreements, such as our noodle supply contract, have terms of 3 to 5 years. Prices are generally fixed for the duration of the contractual terms subject to certain exceptions such as "force-majeure". Our euro and US dollar-denominated ingredients are hedged on our behalf by our suppliers and are invoiced in pounds sterling mitigating our exposure to exchange rate fluctuations. We have also adapted our menu to seek to address the impact of the devaluation of the pound sterling on our food costs. However, continued weakness of the pound sterling may increase our food costs when negotiating supplier contracts in the future as suppliers may pass on increased costs of imported ingredients.

Supply and price of our ingredients are also subject to market conditions and are influenced by other factors beyond our control, such as general economic conditions, unanticipated demand, problems in production or distribution, natural disasters, weather conditions during the growing and harvesting seasons, and plant and livestock diseases. Such factors limit our ability to avoid the adverse effects of a pronounced, sustained price increase; however, historically, our suppliers have worked with us to avoid substantial price increases.

*Labour costs*

The casual dining industry is labour-intensive and known for having a high level of employee turnover given low hourly wages and the part-time composition of the workforce. There is a consistent need to find new staff which creates an additional cost.

Labour costs consist primarily of direct staff employed at individual restaurants (hourly paid staff plus managers and supervisors). Hourly paid staff costs are largely variable in nature and can be managed based on expected customers in the restaurant, while the cost of managers and supervisors and a portion of hourly paid staff costs represent fixed costs. An important component of an hourly employee's wage is tips of which the employee receives 100% of without any administrative deduction by us. Since our employees receive their tips directly from the customer, this is not a component of our labour cost.

As a proportion of total cost of sales, labour costs have increased over time as compared to our other significant cost driver, food and drinks costs, which have reduced due to efficiency gains resulting from our expanded operations at our central kitchen and the consequent reduction in food costs. There has also been some increase in labour costs as a percent of turnover.

As of April 2017, the National Living Wage increased from £7.20 per hour to £7.50 per hour. The National Living Wage will increase in increments with a target set by the UK government of reaching £9.00 per hour by 2020. As at April 23, 2017, approximately 33.8% of our total UK restaurant wage costs were attributable to employees on the National Living Wage.

We continually look for efficiencies in this area to mitigate the inflationary pressure and have limited the increases as a result of our actions to drive sales growth in the restaurants and with the use of systems to optimise labour deployment by day and day-part. We also use the strength of our brand and initiatives to retain staff and avoid the costs of recruitment and training. However, Brexit has brought new uncertainty and it is unclear at this stage what further impact Brexit will have on the size of the labour pool available to us and our ability to retain employees who are not British citizens (which comprised approximately 61% of our workforce as at April 23, 2017). It is not clear at this stage what impact Brexit will have on wage and labour costs.

*Leases*

We currently rent all of our Company-operated restaurants through commercial leases. We generally seek to secure property leases for terms of 15 to 25 years in the United Kingdom and 10 to 15 years in the United States. Our leases generally provide for rent review periods every five years over the full term of the lease. While in the United Kingdom, under the Landlord and Tenant Act 1954, we have the right to renegotiate a significant portion of our lease renewals when they expire before the landlord seeks a new tenant, we may nevertheless be unable to negotiate new leases or lease extensions, either on commercially acceptable terms or at all. The inability to renew any of our leases on commercially acceptable terms, if at all, could cause us to close restaurants which would impact our profitability. In addition, our estate costs will increase as a result of the revaluation of business rates.

Increases in our property costs occur when we open new restaurants. Bringing new restaurants into service also has the effect of increasing restaurant overhead more broadly with additional rent, insurance and other fixed charges.

**Results of operations**

The following table summarises the Mabel Mezzco Limited's (the "**Company**") consolidated profit and loss account for the periods indicated:

| (£ thousands) | For the Financial Year ended April 24, 2016 | For the Financial Year ended April 23, 2017 |
|---|---|---|
| Turnover | 229,864 | 266,109 |
| Cost of sales | (126,986) | (150,747) |
| **Gross profit** | 102,878 | 115,362 |
| Administrative expenses before exceptional items | (85,151) | (93,809) |
| Exceptional administrative expenses | (1,067) | (647) |
| **Operating (loss)/profit** | 16,660 | 22,200 |
| Interest receivable and other similar income | 110 | 192 |
| Interest payable and similar charges | (13,139) | (13,126) |
| **(Loss)/Profit on ordinary activities before taxation** | 3,631 | 9,266 |
| Tax on profit/(loss) on ordinary activities | (1,009) | (3,908) |
| **(Loss)/Profit for the financial period** | 2,622 | 5,358 |

*Turnover*

Turnover increased 15.8% to £266.1 million in Financial Year 2017 from £229.9 million in Financial Year 2016. A geographic and business line analysis of our turnover follows:

Company-operated restaurants

Turnover in our restaurant business in the United Kingdom increased 15.0% to £255.2 million in Financial Year 2017 from £222.0 million in Financial Year 2016. This was primarily due to the opening of four new Company-operated restaurants (net of six closures) in Financial Year 2017 and a 8.2% like-for-like sales increase.

Turnover in our restaurant business in the United States increased 35.1% to £8.3 million in Financial Year 2017 from £6.2 million in Financial Year 2016. Turnover in US dollars increased by 16.4% to $10.8 million in Financial Year 2017 from $9.3 million in Financial Year 2016. This was primarily due to the opening of our New York City restaurant in November 2016 and an 8.6% growth in like-for-like sales, partly offset by the closure of one Boston restaurant in the first quarter of Financial Year 2017.

International franchised restaurants

Turnover from our international franchised restaurants increased 50.6% to £2.6 million in Financial Year 2017 from £1.7 million in Financial Year 2016. This was primarily due to the opening of nine new franchised restaurants (net of two closures) during Financial Year 2017.

*Cost of sales*

Cost of sales increased 18.7% to £150.7 million in Financial Year 2017 from £127.0 million in Financial Year 2016. This was primarily due to the opening of 10 new Company-operated restaurants in Financial Year 2017, the growth in like-for-like sales, increased labour costs and the commissions paid to Deliveroo.

*Administrative expenses before exceptional items*

Administrative expenses before exceptional items increased 10.2% to £93.8 million in Financial Year 2017 from £85.2 million in Financial Year 2016. This was primarily due to increased overhead costs and depreciation resulting from the addition of new restaurants as well as an increase in central overhead expenses.

*Interest payable and similar charges*

Interest payable and similar charges remained stable at £13.1 million in Financial Year 2017 and in Financial Year 2016 and primarily consisted of interest paid on the £150,000,000 aggregate principal amount of Wagamama Finance plc's 7.875% Senior Secured Notes due 2020 (the "**Existing Notes**").

*Tax on profit/loss on ordinary activities*

Tax on profit/loss on ordinary activities increased 287.3% to £3.9 million in Financial Year 2017 from £1.0 million in Financial Year 2016. This was primarily due to the increased profitability of the Group in the United Kingdom and our inability to use tax losses in the United States to offset this increase at this point in time.

**Liquidity and capital resources**

**Consolidated cash flow**

The following table summarises our consolidated cash flow statement for Financial Years 2016 and 2017:

| | **For the Financial Year ended** | |
|---|---|---|
| **(£ thousands)** | **April 24, 2016** | **April 23, 2017** |
| Net cash inflow from operating activities | 36,837 | 44,977 |
| Taxation | (509) | (2,509) |
| Payments to acquire tangible fixed assets | (17,505) | (32,119) |
| Net cash used in investing activities | (17,395) | (31,927) |
| Interest paid | (12,126) | (12,067) |
| Net cash used in financing activities | (12,126) | (12,067) |
| Net increase/(decrease) in cash and cash equivalents | 6,807 | (1,526) |

***Net cash inflow from operating activities***

Net cash inflow from operating activities increased 22.1% to £45.0 million in Financial Year 2017 from £36.8 million in Financial Year 2016. This was primarily due to an increase in EBITDA of £6.7 million and lower cash exceptional and corporate costs of £0.7 million.

***Net cash used in investing activities***

Net cash used in investing activities increased 83.5% to an outflow of £31.9 million in Financial Year 2017 from an outflow of £17.4 million in Financial Year 2016, due to an increase in capital expenditure primarily due to expenditures for ten new Company-operated restaurant openings in the United Kingdom together with capital expenditures relating to the expansion in the United States.

***Net cash used in financing activities***

Net cash used in financing activities remained stable at £12.1 million in Financial Year 2017 and in Financial Year 2016.

**Capital expenditures**

Our capital expenditures mainly consist of new site capital expenditures, or the costs incurred in opening new restaurants, maintenance expenditure relating to ongoing replacement of existing assets in our restaurants, refurbishment capital expenditure on sites to improve brand presentation and increase capacity where possible, and other capital expenditures, principally related to developing our central kitchen and other centralised capital expenditures, principally upgrading our IT systems.

Payments to acquire tangible fixed assets increased 83.5% to £32.1 million in Financial Year 2017 from £17.5 million in Financial Year 2016. This was primarily due to expenditures for new restaurant openings in the United Kingdom together with capital expenditures relating to the expansion in the United States as well as an increased level of expenditures on refurbishments, head office and IT systems.

The following table shows our capital expenditures for the periods indicated:

| | For the Financial Year ended | |
|---|---|---|
| | **April 24, 2016** | **April 23, 2017** |
| New site capital expenditures | 10.2 | 18.1 |
| Refurbishment expenditures | 2.8 | 8.1 (1) |
| Maintenance expenditures | 2.4 | 2.9 |
| Other capital expenditures | 2.1 | 3.0 |
| Corporate expenses | 0.3 | 0.1 |
| **Cash outflows for the purchase of tangible fixed assets (Total capital expenditure)** | **17.5** | **32.1** |

(1) Relates to significant refurbishment costs at Heathrow Terminal 5 restaurant together with refurbishment across a large proportion of our UK restaurants.

We expect our total capital expenditures for the 53 weeks ending April 27, 2018 to be approximately £28.0 million, in line with our strategy for continued growth in the United Kingdom and internationally.

## Business

### Overview

Wagamama operates popular, award winning pan-Asian inspired noodle restaurants based in the United Kingdom. The wagamama story began in 1992 when our first restaurant opened in London's Bloomsbury. Since then we have grown and as of April 23, 2017 we had 128 Company-operated restaurants across the United Kingdom and the United States (with three restaurants in Boston and one in New York City). In addition to our Company-operated restaurants, as of April 23, 2017, we had 44 franchised restaurants internationally, located in 19 countries around the world including in Western Europe, Eastern Europe, the Middle East and New Zealand.

Wagamama offers fresh, pan-Asian cuisine in a friendly, vibrant setting. Our pan-Asian-inspired menu features a wide variety of noodle and rice dishes, as well as salads and side dishes, desserts, hot drinks, wine, sake and Asian-branded beers. Freshness and quality are two attributes that we believe go into every dish. Many wagamama signature dishes can be found in all of our restaurants across the globe and we also have local specialties that take advantage of regional ingredients and tastes.

We generated turnover and Adjusted EBITDA of £266.1 million and £45.5 million, respectively, for Financial Year 2017 and £229.9 million and £38.7 million, respectively, for Financial Year 2016. We generated £42.0 million and £46.0 million of underlying free cash flow for Financial Years 2016 and 2017, respectively. Our restaurant operations in the United Kingdom achieved like-for-like sales growth of 13.1% and 8.2% for Financial Years 2016 and 2017, respectively. In the United States, we achieved like-for-like sales growth of 8.6% in Financial Year 2017, with a record year for our Boston locations and a strong start in our debut restaurant in New York.

### Our competitive strengths

We believe that we have the following competitive strengths:

#### *A "category of one", uniquely positioned brand*

We are a category of one within the UK branded restaurant market, as the only pan-Asian restaurant operator of scale. We are the only branded operator within this segment operating more than 100 restaurants, and we believe this is as a result of our different and highly developed menu and our ability to procure the necessary skill set to successfully operate within this segment. For example, our menu has a specialised cooking process. All food is made to order, and requires fresh, high quality ingredients to be delivered almost daily. The majority of our sauces and gyozas are made by us using our proprietary recipes.

We have operated in the UK market for 25 years and during this time have developed a reputation for consistently offering our customers high quality food in a contemporary, sophisticated environment. The nature of our product offering enables us to capitalise on consumer trends, such as the transition towards localised delivery markets and the focus on healthy, fresh and fast food. In addition, our menu caters to a wide range of cultural and dietary requirements. The quality of our dishes is widely recognised in the market by consistently high Net Promoter Scores and in 2017, we won the Casual Dining Restaurant of the Year award at the Casual Dining Restaurant and Pub Awards. We are also the recipient of multiple other awards including winner of (i) the Asian Casual Dining category at the 2017 Menu Innovation & Development Awards; (ii) multiple awards for takeaway packaging in 2016, including from Red Dot, Dieline and the FAB Awards and (iii) the Evolutionary Brand award at the 2015 CGA Hero & Icon Awards.

*A well-invested and located restaurant portfolio*

We believe that we have an attractive portfolio of well-located restaurants across the United Kingdom. Our portfolio of restaurants is diversified by geography and type of site, allowing us to capture areas with higher pedestrian traffic with younger and more affluent demographics.

Most of our restaurants are located in high pedestrian traffic venues, such as high streets, shopping centres, commercial districts and tourist locations. We have an established refurbishment cycle in place to maintain the age of our estate and the quality of our portfolio. According to our internal classification system as of April 23, 2017, all of our UK restaurants were categorised as in "good" or higher condition. The level of maintenance expenditure and the refurbishment expenditure that has been spent on the portfolio has averaged 1.1% and 1.6%, respectively of turnover between the 52 weeks ended April 26, 2015 ("**Financial Year 2015**") and Financial Year 2017.

We have a track record of achieving high returns on capital, having achieved an average return of 32.8% for 34 of the 37 Company-operated restaurants opened in the United Kingdom from April 29, 2013 through the end of Financial Year 2017 (data for three restaurants not yet available). For our last 21 openings between Financial Year 2015 and Financial Year 2017, we have spent, on average approximately £1.0 million of new restaurant capital expenditure per restaurant with an expected pay-back of approximately four years. We believe that the traffic generated by our brand, our track record of operating successfully in a variety of locations and our distinctive offering make us a highly attractive tenant to landlords and put us in a strong position to negotiate leases with multi-unit landlords.

*Our continuous improvement culture*

Our culture is based on the philosophy of kaizen ("continuous improvement") at all levels, in everything we do. This philosophy engenders a focus on operational efficiency and innovation. We continuously challenge ourselves to improve our operational and financial performance. We believe our kaizen philosophy differentiates us and positions us to perform well against our competitors.

Our strategy for staff engagement is built upon individuality and personality, and is represented by our slogan "be you. be wagamama." Combined with our culture of training and development, we encourage our staff to be themselves, develop as individuals and serve our customers with genuine hospitality. We motivate our employees through development programmes (e.g. "grow your own", noodleVersity and e-learning modules), as well as sales, EBITDA and Net Promoter Score incentives (including the chance to win two Minis and various holidays for the past two years). These initiatives have been successful and have translated into strong people retention statistics, with restaurant managers and head chefs staying with us for an average of approximately 6.7 years and 5.8 years, respectively, as of April 23, 2017. Additionally, we won the "Employer of the Year" award at the 2016 Casual Dining Restaurant and Pub Awards.

*Proven and resilient business model based on multi-channel sales*

We have a proven concept and a business model based on three channels (eat-in, take-away and delivery) that we believe supports growth and resilience. This is evidenced by our strong financial track record and the consistency of our performance. We have achieved strong growth historically with turnover growth of 15.8% and 18.9% between Financial Year 2016 and Financial Year 2017 and Financial Year 2015 and Financial Year 2016, respectively. Additionally, we have achieved Adjusted EBITDA growth of 17.6% and 27.7% between Financial Year 2016 and Financial Year 2017 and Financial Year 2015 and Financial Year 2016, respectively. Between May 25, 2014 and June 18, 2017, for 161 consecutive weeks, our like-for-like sales growth has outperformed branded casual dining restaurants according to CGA Peach BrandTrack. Our restaurant model is flexible and adaptable to different site types and geographies. For Financial Year 2017, all of our UK restaurants open for more than 12 months made a positive contribution towards Adjusted EBITDA. In addition, we have limited seasonality in our sales.

We believe that our success cannot be easily replicated by a competitor. Our category of one brand position gives us a competitive advantage and our scale provides high barriers to entry. This has been achieved through a combination of factors such as developing the skill set required to operate within this segment and establishing a supply chain able to source fresh, high quality ingredients and deliver them to restaurants, usually on a daily basis. In addition, continuous investments in processes and systems, the development of a proprietary noodle recipe as well as the establishment of, and investment in, a central kitchen to prepare consistently high quality fresh sauces and gyozas are other examples of the competitive advantages and scale benefits available to us.

In addition, the type of cuisine we offer supports takeaway and delivery, as we believe our food travels well in our award-winning packaging. The layout of our kitchens and restaurant formats are also supportive of the take-away and delivery features of our business model. Since July 2015, we have developed an arrangement with Deliveroo on attractive financial terms. This channel has been supporting our turnover growth, without adversely impacting our margins, as evidenced by the increase in our Adjusted EBITDA margin from 15.7% in Financial Year 2015 to 17.1% in Financial Year 2017.

***Consistent, above market growth in the United Kingdom***

We believe that the strength of our brand and menu evolution is an important factor for our trading performance compared to our competitors. Our like-for-like sales growth in the United Kingdom outperformed the growth of the UK market for branded casual dining restaurants for 161 consecutive weeks between May 25, 2014 and June 18, 2017, according to CGA Peach BrandTrack.

We believe that our strong sales, the attractiveness of our core product offering and our focus on value and margin improvement, as evidenced by our historical financial performance, support our efforts to mitigate the impact of any macroeconomic headwinds we face, such as wage pressure, cost inflation, increase in business rates and the potential future consequences of Brexit. We have taken various actions to mitigate the effects of these challenges, such as procurement reviews, smart rotas (staffing system whereby we ensure that the employees with the right experience and skill set are at the right place at the right time), training and retention programmes, as well as successfully implementing modest and competitive price increases.

***Strong operating performance and highly cash generative***

Our business model is highly cash generative as a result of our financial performance, reasonable levels of maintenance capital required and efficient working capital management. Our annual average cash conversion has been above 100% in the last three financial years. We use cash to invest in opening new restaurants, refurbishing our existing restaurants, as well as to invest in infrastructure to support future growth, such as continued investment in our central kitchen and upgrades to our IT system across our Company-operated restaurants. We decreased the ratio of our total net indebtedness to our Adjusted EBITDA from 4.3x for the 52 weeks ended November 9, 2014 (pro forma for the 2015 refinancing) to 2.5x for the 52 weeks ended April 23, 2017. The ratio of our Adjusted EBITDA to net interest payable increased from 2.6x for the 52 weeks ended November 9, 2014 (pro forma for the 2015 refinancing) to 3.8x for the 52 weeks ended April 23, 2017.

***Experienced management team***

We have a strong management team with significant experience in the hospitality sector and in operating branded businesses in the United Kingdom. The senior management team consists of seven individuals with a combined average of over 16 years of industry experience.

## Our strategy

The key elements of our strategy are as follows:

***Drive sustainable, market-beating like-for-like sales growth in our existing estate***

We aim to continue to drive like-for-like sales growth in our existing estate by focusing on our core values of offering our customers fresh, high quality food at good value. We have an established track record of food innovation, designed to maintain and enhance existing customer interest and attract new customers.

We believe that there is potential to further increase sales from the eat-in as well as the take-away and delivery channels within our existing estate. The type of cuisine we offer along with our arrangement with Deliveroo supports growth in our delivery and takeaway sales, which constituted approximately 7% and 5%, of our turnover, respectively, in Financial Year 2017. We also regularly evaluate our menu to ensure competitive pricing, while maintaining our like-for-like sales growth.

In addition, we plan to continue build on our already high brand awareness through focused marketing campaigns both inside and outside our restaurants as well as customer experience initiatives, such as customer-initiated payments via smart phone applications. Furthermore, we do not rely on discounting to drive traffic in our restaurants.

***Expand our operations through new restaurant openings***

We have a strong track record of successfully opening restaurants, having opened 26 Company-operated restaurants in the last three financial years. We identify new sites based on a methodical, data-driven approach and a capital expenditure investment appraisal that carefully evaluates and scores our key selection criteria, including demographic and competitive dynamics, and projects anticipated store performance. We work with well-known real estate consultants familiar with our restaurants, such as Javelin, to assess the potential return on investment and cash conversion rates at each new site. We plan to open approximately 10 new UK restaurants over the next twelve months. For Financial Year 2017, every one of our restaurants in the United Kingdom that was open for at least 12 months was generating positive Adjusted EBITDA.

***Opportunity to increase margins and returns through operational efficiencies and cost savings***

For Financial Year 2017, our total operating costs consisted of 38.7% labour costs, 21.3% ingredients, 15.4% other costs, 9.7% rent, 7.5% other property and 7.4% head office costs.

We continue to look at ways to improve our operational efficiencies in order to increase our margins and reduce our costs. We internally benchmark all of our restaurants and communicate the results internally to establish best practices. We foster an environment where these initiatives are constantly developed and implemented at all our restaurants. We also regularly review our menus to improve the mix of products that we offer.

In addition, we continue to develop our smart rota labour system throughout all our restaurants to ensure we have the right level of staff in the right place at the right time. We believe this has resulted in and will continue to result in improved service levels, sales growth, margin and customer satisfaction scores.

Furthermore, as part of our cost saving efforts, we continuously work with our suppliers and adapt our menu to optimise ingredient costs.

***Incremental approach to international expansion***

We have a proven international business, comprised of four Company-operated restaurants in the United States and 44 franchise restaurants across 19 countries.

Our franchising operations are managed by our international managing director who has over 30 years of industry experience. We intend to selectively expand our international operations through increasing the number of franchised restaurants in both existing markets as well as entering new markets, to increase revenues and broaden our reach with limited capital requirement. We believe there are a number of markets particularly in Europe, neighbouring countries and the Middle East where wagamama could be successful based on our understanding of the local competitive landscape and the potential for a branded pan-Asian casual dining operator in these markets. Recent openings in Spain and Italy have been well received.

We have been operating in the United States since 2007 and currently operate four restaurants, three in the Boston area and one in New York City. Our first New York City restaurant opened in November 2016 and has experienced a strong start. We have also acquired a second lease in New York City and a new lease in Boston. We are currently preparing for the opening of these restaurants.

**Our history**

We opened our first restaurant in Bloomsbury, London, in April 1992. A second site in Soho, London, was opened in December 1995. In 2000, our first non-London site was opened in Manchester. Our expansion overseas through our franchise operation began with a restaurant being opened in Dublin, Ireland in 1998, and in April 2007 we opened our first US Company-operated restaurant in Boston, Massachusetts.

In 2005, funds controlled by Lion Capital acquired a stake in the Group, and in 2011, funds controlled by Duke Street General Partner Limited and Hutton Collins Partners LLP acquired Lion Capital’s stake in the Group, following which the Group has increased the number of new restaurant openings per year, with restaurants numbering 124 as of April 23, 2017 in the United Kingdom and four in the United States. Today funds controlled by Duke Street General Partner Limited and Hutton Collins Partners LLP hold approximately 41.7% and 27.3% of the voting shares of Mabel Topco Limited, the Company’s ultimate parent (“**Topco**”), respectively.

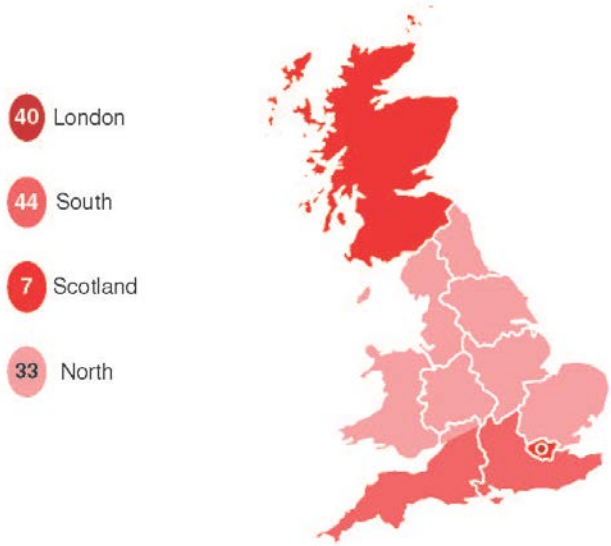
**Our business operations**

**Restaurants**

***United Kingdom***

As at April 23, 2017, we operated 124 restaurants in the United Kingdom under the wagamama brand. In the United Kingdom, in Financial Year 2017, we served approximately 19 million meals, or on average approximately 2,900 meals per restaurant per week, and had an average spend-per-head of approximately £16.30 (including VAT). Our average weekly turnover per restaurant was approximately £30,600, £32,600, £36,800 and £40,600, for Financial Years 2014, 2015, 2016 and 2017, respectively.

Our restaurant portfolio has a broad balance between regions and site types across the United Kingdom. The following map indicates our geographic breadth in the United Kingdom as at April 23, 2017:




***International***

We have been operating in the United States since 2007. As of April 23, 2017, we had four Company-owned restaurants in the United States, three in the Boston area and one in New York City. We plan to use our existing restaurants as a platform to develop the brand and the concept in the US market. We aim to expand further in selective hubs in the United States.

In addition, we have a successful track record of operating internationally through our franchise restaurants. We opened our first franchised restaurant in Ireland in 1998. As of April 23, 2017, we had 44 franchised restaurants across 19 countries in Western Europe, Eastern Europe, the Middle East and New Zealand. Within each country, we adopt a localisation strategy whereby we adapt certain ingredients and marketing tactics to enhance our appeal to the local market.

Due to the increasing international demand for casual dining, including in the markets in which we currently operate, we expect to further capitalise on this growth through strategic expansion. In new markets we plan to focus on opening franchise restaurants in a disciplined manner in attractive markets with expected high demand as a means of low risk, controlled entry due to the low upfront cost of our franchising strategy. In Financial Year 2017, international franchises generated franchisee fee revenue of £2.6 million.

The following table indicates our franchise locations, as at April 23, 2017.

| Country | Number of Restaurants |
|---|---|
| **Western Europe** | |
| Belgium | 1 |
| Ireland | 4 |
| Malta | 1 |
| The Netherlands | 6 |
| Northern Ireland | 2 |
| Denmark | 2 |
| Sweden | 1 |
| Spain | 1 |
| Gibraltar | 1 |
| **Eastern Europe** | |
| Cyprus | 4 |
| Bulgaria | 1 |
| Greece | 2 |
| Slovakia | 1 |
| Turkey | 3 |
| **Middle East** | |
| Qatar | 2 |
| United Arab Emirates | 4 |
| Bahrain | 1 |
| Saudi Arabia | 2 |
| **New Zealand** | 5 |
| **Total** | 44 |

### *Brand*

We consider wagamama's offering to be within a category of one, meaning, we believe that wagamama is the only brand of significant scale within the United Kingdom which offers such a distinct combination of original dining concept and health-conscious pan-Asian cuisine.

Wagamama has received several significant awards in recognition of its unique high quality restaurant offering, such as 2017 Casual Dining Restaurant of the Year Award and 2016 Employer of the Year Award at the Casual Dining Restaurant & Pub Awards. We are also the recipient of multiple other awards including winner of (i) the Asian Casual Dining category at the 2017 Menu Innovation & Development Awards; (ii) multiple awards for takeaway packaging in 2016, including from Red Dot, Dieline and the FAB Awards; (iii) the Evolutionary Brand award at the 2015 CGA Hero & Icon Awards.

### The experience

Wagamama has developed an original dining concept offering fresh, pan-Asian food in a simple, buzzing and friendly environment. Since we first opened our doors in London's Bloomsbury in 1992, we have been practising "kaizen", meaning "good change", a continuous improvement philosophy that sits at the heart of our restaurants, dishes and dining experience, and drives us to find better ways in all that we do. We strive to create a new way of eating by bringing fresh and nourishing flavours of Asia to our customers.

Key characteristics of a typical wagamama restaurant are:

- convenience with no compromise on quality;
- minimalist design interiors with communal seating and natural, high quality finishes;

- open plan kitchens provide theatre to show and produce distinctive food using fresh ingredients and highly skilled chefs;
- a seasonally changing menu that brings inspiration from across Asia recognising different needs, times of day and occasions;
- specialised drink offerings of freshly squeezed juices, Asian-branded beer and sake;
- software and systems designed to maximise cover turn and drive customer satisfaction;
- locations in busy areas with high-target footfall and complementary brands in both food and retail to drive volume and experience; and
- a layout specifically designed to deal with a high turnover of covers.

Our average UK restaurant is 4,374 square feet in size and, on average, can cater for approximately 144 covers at any one time. We serve approximately 357,000 customers per week in our UK restaurants, with an overall average spend per customer of approximately £16.30 (including VAT). Our menu features a strong lunch offering and also includes an extensive selection of dishes available throughout the day, avoiding a bias towards any particular meal time. In Financial Year 2017, in the United Kingdom, we received, on average, 38% of our consumers in the evening, 33% during lunch time, 21% in the afternoon, 5% in the late evening and 3% at breakfast. We believe that our menu prices compare favourably with other restaurant chains operating in the UK branded casual dining sector.

According to the Morar Report, our customers are younger on average, with approximately 62.6% under the age of 40. Specifically, the study showed that compared to the sample population on which the study was based, we had a 0.7% higher customer base between the ages of 16 and 24 years old, a 8.9% higher customer base between the ages of 25 and 29 years old, a 5.7% higher customer base between the ages of 30 and 39 years old, a 2.5% lower customer base between the ages of 40 and 49 years old and a 12.8% lower customer base over the age of 50. In addition, the study found our customers tend to come from a higher socio-economic status, with approximately 73.9% falling within the AB and C1 economic demographic. Specifically, the study showed that compared to the sample population on which the study was based, we had a 11.9% higher customer base from an AB socio-economic demographic, a 3.4% higher customer base from a C1 socio-economic demographic, a 8.6% lower customer base from a C2 socio-economic demographic, and a 6.6% lower customer base from a D socio-economic demographic. Furthermore, the study revealed that we have general national appeal to both families and pre-family customers, which average approximately 41.9% and 33.8% of our customer base.

**Restaurant operations**

We have developed a globally integrated operations manual which sets operational and consumer standards across our restaurants. Our central oversight of these operations provides for standardised operations across both our Company-operated and franchised restaurants, and allows us to monitor the level of service at our restaurants.

***Menu***

Wagamama specialises in health-conscious, pan-Asian cuisine, based on five preparation methods: wok, grilling, ramen (soup-based), juicing and frying. We have an extensive menu consisting predominantly of fresh noodle-based meals in a bowl, rice dishes, soup dishes, curries and salads, along with a variety of side dishes, including meat and vegetable dumplings. The focus on fresh ingredients aligns with an increased consumer desire for healthy eating, while the ability to customise items allows customers to balance health and indulgence when eating out. Wagamama also caters to children, offering a specialised children's menu. In Financial Year 2017, approximately 83% of our restaurant revenue in the United Kingdom was attributed to food sales and approximately 17% to drink sales. For the same period, our food revenue was split as follows: 23% sides, 21% curry, 20% other mains, 19% teppanyaki, 13% ramen and 2% desserts.

Our core menu is relatively stable with minimal alterations, although it is periodically updated to ensure the taste profile remains fresh. In addition, the menu is typically updated to introduce variety and address seasonal requirements (for example, salads are offered during summer and we may offer new items for a limited time as a test for future menu changes).

In addition, we offer a breakfast menu at our restaurants in London Heathrow Airport's Terminal 5 and London Gatwick. Our breakfast menu offers dishes such as granola with fresh fruit and yoghurt, kedgeree, breakfast-style noodle dishes and porridge.

***Service***

Among the most critical factors in strengthening our brand is the performance of our restaurant staff, which directly affects the customer dining experience, ensuring that our customers return to our restaurants and spread positive word-of-mouth about us.

We monitor restaurant personnel performance and service standards in a number of ways. For example, we utilise monitoring activities such as mystery diners, quality and standard audits, food hygiene audits and weekly sales and cost reviews. Restaurant managers are also assessed regularly by area managers.

***Takeaway and Delivery Options***

We offer both takeaway and delivery options, which enables us to reach a wider audience and creates a larger demographic of customers who can access our food. All of our restaurants offer a collection option, where customers can place an order online or by telephone and pick up their order at their closest restaurant. As at April 23, 2017, 92 of our restaurants also offer a delivery option through our arrangement with Deliveroo, which allows customers to make purchases through a phone application or online. Once the food has been prepared, a Deliveroo driver will pick up the food at our restaurant and take it directly to the customer's location. These two different dining options have contributed to our sales and profit growth in Financial Year 2017.

***Marketing activities***

In addition to our focus on service and the quality of the dining experience we offer, we dedicate considerable resources to promoting the wagamama brand. We employ a dedicated marketing team that handles and coordinates our marketing activities, including public relations. Our marketing strategy is aimed at driving sales and profit growth through targeted and tailored promotions. We direct our marketing activities, which are modified to suit restaurant location, format type and time of the week, at both new and existing customers through a number of media, including utilising our proprietary database of registered customers. Unlike most of our peers, we do not rely on discounting to drive sales.

In conjunction with our delivery options, we also invested in our digital marketing capabilities through the development of the wagamama application, which allows us to target younger demographics that we believe tend to order more takeaway online. The wagamama application allows our customers to access our restaurants and menus online, as well as order takeaway directly through the application. In addition, we are able to gather general customer information regarding purchasing habits, track trends generally in spending and make targeted communications to customers to try new products in our menu.

**Central kitchen operation and outsourcing**

Historically, a key element in the success of our rollout strategy has been the development of a central kitchen operation. In 2013, we relocated and expanded this operation to Acton, West London to include significantly more space and upgraded equipment. Our central kitchen prepares a large amount of ingredients daily, including sauces and gyoza, which facilitates consistency across our UK restaurants and can support up to approximately 200 restaurants.

We believe that the central kitchen operation provides us with the following advantages:

- consistency and freshness of dishes throughout our UK restaurant portfolio;
- meals served at a faster pace in our UK restaurants;
- increased seating space in our UK restaurants for the same rent as the need for kitchen space is reduced; and
- increased economies of scale and reduced operational costs.

Our central kitchen received the highest level of British Retail Consortium accreditation for food safety in November 2014 and has maintained this accreditation annually since then. In addition, we have appropriate contingency plans in place if the central kitchen becomes temporarily unavailable, including a mobile kitchen unit on standby and outsourcing arrangements for key ingredients.

We use third-party distributors to transport our central kitchen ingredients to our UK restaurants.

**Suppliers**

We have developed relationships with a number of high-quality suppliers to source our ingredients. We typically use one to two suppliers for each ingredient (backed by contingency solutions) to obtain high-volume discounts and to maximise the service level the business receives, and only use a small number of suppliers in order to control and guarantee quality.

In addition, we typically enter into forward buying contracts with our suppliers, which limits our exposure to any short-term fluctuations in food prices. A typical forward buying contract provides for fixed prices for at least six months. We believe that we are not dependent on any one supplier and have multiple alternative suppliers, if required.

We take actions to optimise spending on ingredients and reduce our exposure to price fluctuations through negotiation with our suppliers and by performing an ongoing review of our ingredients. For instance, annual seafood tenders with several suppliers timed at the lowest point (harvest), and buying forward for the future 12 month period. If sourced overseas, we secure the optimum exchange rate at the same time (prawns/squid/salmon). In Financial Year 2017, we renewed one of our major supply agreements with better terms and a longer duration. In addition, we are able to modify our menu offerings to adapt to price increases in various ingredients. We perform credit checks before entering into an agreement with any supplier.

**Restaurant monitoring and reporting**

Our executive team, together with our regional directors, area managers and restaurant managers, monitor the financial and operating performance of our restaurants.

We produce an annual financial plan at the start of each financial year, which includes budgets for each individual restaurant. We have reporting procedures and IT systems in place that enable us to monitor the sales, labour and food costs for each of our restaurants on a daily basis.

At the end of each four-week reporting cycle, management accounts are prepared, enabling management at all levels to review total company and individual restaurant performance at both sales and profit levels. A review of performance is a key element of each period's management board meeting and in reporting to the board of directors.

We actively manage underperforming Company-operated restaurants by making operational changes (such as deploying new managers) and/or additional capital expenditure, or, in appropriate cases, refurbishing restaurants. We have closed nine sites in the past three financial years, one was due to relocation and the remainder were either closures from low profit locations or closures due to the expiration of certain leases.

According to our internal classification system based on age and condition of our restaurants, as of April 23, 2017, 91 of our UK restaurants were categorised as "best", 21 categorised as "better" and 12 categorised as "good" condition. In addition, our maintenance expenditure has averaged 1.1% of our turnover for the past three financial years.

Our franchisees are responsible for monitoring the performance of their restaurants.

While we monitor our restaurants and employees on a performance level, we also monitor them on an operational level. We continue to enhance our internal controls to ensure that we, our restaurants, and our employees are conducting business in compliance with all applicable laws.

**Human resources and staff training**

We place significant emphasis on staff training, which we believe is key to maintaining high standards of quality across the business.

We provide comprehensive in-house training to all employees, with extensive health and safety training given to all restaurant-based employees and food-hygiene training given to all managers.

In June 2013, we launched noodleVersity, a national network of fully qualified centres for training our employees, which we have upgraded since then. New restaurant managers and head chefs in the United Kingdom are typically trained at one of these centres, followed by onsite training prior to a new restaurant opening. Staff for new restaurant openings are brought to a consistent standard by an in-house training team. In addition, we regularly send UK-licensed trainers to the United States and overseas to our franchise restaurants to ensure all employees are trained to a consistent standard. We have also started to develop relationships with UK colleges and apprenticeship programmes.

We encourage in-house promotion of employees at all levels through training and development, and many current restaurant managers began their careers as assistant managers or as other restaurant personnel. The average tenure of our UK restaurant general managers and head chefs was approximately 6.7 years and 5.8 years, respectively, as of April 23, 2017. In recognition of our efforts as an employer, in 2016 we won the "Employer of the Year" category at the Casual Dining Restaurant & Pub Awards. We feel that happy and enthusiastic restaurant staff are key to providing a pleasant dining experience and our success in engendering a positive employee culture.

**Quality control—health, food and safety**

In order to ensure that high standards are maintained, we have developed a strong hygiene culture and have built a good control track record. We carry out regular hygiene, health and safety audits in the United Kingdom and the United States to ensure full traceability, and employ a documentation system that enables full traceability from raw ingredients to finished products in restaurants. In addition, laboratory food tests are conducted on a regular basis. We employ six full time Quality Control

Managers, three for safe, clean and legal audits, one for supplier audits, one for the central kitchen and one for franchises. In addition, any allegations of food poisoning are independently investigated.

We also carry out regular quality control checks and audits of our franchise partners to ensure that our high standards of quality are maintained in the franchise business.

We have a detailed food safety manual that covers all aspects of cleaning, food handling and storage, pest control, stock control, and waste disposal. We also have rigorous food safety procedures based on a hazard analysis and critical control points plan, which includes controls, critical limits and monitoring for key processes such as receiving food deliveries, defrosting, cooking, cooling and storage. This includes guidelines on date labelling, allergen labelling, fridge plans and temperature checks. Our safety governance policy is fully digitised and reviewed quarterly on a restaurant, area and group level. There are also strict policies on fitness to work, hygiene, hand washing and uniform cleanliness. Allergens lists are communicated by leaflets and online. Our policy is to enter into arrangements with suppliers who have either BRC accreditation or EFIS/IDO accreditation.

All team members receive training on critical aspects of food safety as part of their induction, and also complete an online e-learning food safety accredited course. Restaurant team members receive ongoing training regarding sanitary procedures, and all senior back of house personnel and managers are required to attain food safety accredited qualification. Senior operations management may also seek to attain further food safety accredited qualifications.

Food hygiene rating schemes vary across the United Kingdom. As of May 31, 2017, approximately 119 of our UK restaurants achieved the maximum rating in their locations. We have a dedicated health and safety audit team that conducts at least two audits per year for each restaurant using stricter standards than those required by the relevant authorities. Further audits are conducted by external partners twice yearly and all audit results are reported to our board of directors.

### Estate management

#### *Leases*

As part of our business model for our Company-operated restaurants, we are directly responsible for the management of the real estate property on which the restaurant is located and we are always the first rank tenant under the lease agreement with the landlord. In the case of franchised restaurants, the franchisee is directly responsible for the real estate property.

As at April 23, 2017, we rented all of our restaurants through commercial leases in the United Kingdom and the United States.

### Site selection

We have a defined and tested process for identifying and securing new restaurant sites within the United Kingdom. Our management team identifies possible new sites based on:

- the intrinsic demographic qualities of a potential location and expected demographic trends affecting a potential location;
- the catchment area of a potential site;
- the known success of other retail brands already open in the local area; and
- management’s own skill and experience.

Each of these identification criteria is supported by a large number of proprietary insight tools developed with our information partner, Javelin. Following this initial ‘experience-based’ assessment, management and Jones Lang LaSalle, our real estate agent, will assess the development costs of each site based on a number of factors, including the site’s complexity, size, location and a number of other factors. In addition, the management team will develop, for each identified site, an estimate of the potential sales and revenue-generation of a new restaurant over the first three years based on known local market trends and conditions, and the success rates of other restaurant operators in the vicinity. This enables management to assess the potential return on investment and cash conversion rates of a restaurant at each new site identified.

Further work may be carried out on a potential site including the appointment of marketing and footfall consultants to stand outside the proposed site and assess customer flow and market factors. Management collates and reviews further information on a potential site up to the date a lease is signed; if any negative information on the proposed site or area is discovered during this time, management may not proceed with that site.

**Development**

The timescale from initial site selection through to the prospective new restaurant opening for business is approximately 12 months. The majority of this time is used by management to carry out its site selection investigations on the potential site as described above and the negotiation and signing of a lease. Once a lease is signed, it takes approximately 12 weeks for the new restaurant to open for business, including the time required to carry out pre-opening training at the new location.

Restaurant pre-opening costs include staff wages to the day of opening, recruitment costs, training costs, accommodation and transport for staff involved in pre-opening, along with the costs involved in carrying out a trial run of the site prior to the opening, in addition to pre-opening establishment costs.

A restaurant typically reaches full trading maturity by the third year after opening, although strong like-for-like sales can still be achieved by restaurants after they have reached maturity. For our last 21 openings, we have spent, on average, approximately £1.0 million per restaurant with an expected pay-back of approximately four years. Furthermore, our restaurants typically achieve turnover of approximately £1.5 million to £2.0 million at maturity within three years.

**International restaurant partnerships—Franchising**

**Overview**

We continue to work with franchise partners to grow our restaurant brand in markets where we chose not to invest capital and take more risk. Our restaurants in Western Europe, Eastern Europe, the Middle East and New Zealand are operated by franchisees pursuant to franchise agreements with initial terms usually of 10 years. All of the franchises operate under the wagamama brand.

***Exclusivity***

All rights to use the wagamama and associated trademarks granted under our franchise agreements are exclusive to the specified territory during the term of the respective development and franchise agreement, which contain a minimum development schedule listing the number of restaurants that must be opened in specified territories by certain dates. Generally, if the franchisee fails to meet these targets, the license granted to the franchisee becomes non-exclusive, allowing us or another franchisee to operate in that territory.

### *Non-competition*

Our franchise agreements contain provisions preventing the franchisee from competing with us. Generally, these agreements prohibit the franchisee from engaging in a restaurant business that would compete directly with us, or in a location where the restaurant would compete with one of our restaurants. Some franchisees are also prohibited from acquiring an interest in an undertaking which competes with us, soliciting or employing certain members of our staff, or engaging or being employed by any restaurant that uses or duplicates our concept.

### *Fees*

Franchisees pay an initial fee to us upon entering into the franchise agreement. Thereafter, franchisees are obligated to pay us restaurant opening fees for restaurants opened in their respective territories and periodic royalty fees calculated as a percentage of their annual total sales (less certain costs).

## Other Key Business Factors

### *Licenses and trademarks*

We regard our ‘wagamama’ and ‘positive eating + positive living’ trademarks, as well as the associated star logos, as having significant value and as being important factors in the marketing of our restaurants. We have also obtained trademarks for our key sub-brands. Our policy is to pursue registration of our trademarks where possible, but we rely on a combination of protections provided by contracts, copyrights, trademarks, and other common law rights, such as trade secrets and unfair competition laws, to protect our restaurants and services from infringement.

### *Information systems*

Our Company-operated restaurants have a point-of-sale, or ‘POS,’ cash register system. In Financial Year 2017, we upgraded our POS system to use cloud technology as opposed to physical servers located in each restaurant. The POS system provides effective communication between the kitchen and the server, allowing employees to serve customers in a quick and consistent manner while maintaining a high level of control. The POS system is integrated with our back office system to provide support for automated stock management, payroll, labour scheduling, accounts payable, cash management, and management reporting functions. Sales data is retained and organised by our system to help restaurant managers predict and schedule labour requirements. This data is also used to calculate average spend per head and number of individual product line items sold.

All of our Company-operated restaurants have access to a business intelligence tool, which provides daily and weekly key performance indicator analysis for each restaurant. Product sales and most purchases are captured through the back office system and transferred directly to our general ledger system for accurate and timely reporting. All corporate computer systems, including laptops, restaurant computers and administrative support systems are connected using a wide-area network. This network supports an internal web site for daily administrative functions, allowing us to eliminate paperwork from many functions and accelerate response time.

### *Employees*

During Financial Year 2017, we employed, on average, approximately 5,077 persons. This included approximately 4,947 restaurant and distribution staff and approximately 130 administrative staff.

***Regulation***

Our operations in the United Kingdom are regulated pursuant to the UK Health and Safety at Work Act 1974 and related laws. Britain's Health and Safety Commission and Health and Safety Executive as well as local authorities are responsible for enforcing most work-related health and safety guidelines, codes and regulations. Moreover, certain health and safety obligations in the United Kingdom may exist or arise under EU law, such as local regulations based on European Directives. Importantly, we have a Primary Authority relationship with Westminster City Council. This is a statutory, contractual partnership whereby our policies and processes are reviewed and approved by Westminster City Council. This collaborative arrangement reduces the risk of non-compliance.

Each of our restaurants in the United Kingdom sell alcoholic beverages and are therefore subject to licensing and regulation by a number of governmental authorities, including the UK Department of Culture, Media and Sport, pursuant to the UK Licensing Act 2003 and related laws and regulations.

We are also subject to various local, national and international laws and regulations affecting our operations, including consumer and data protection, planning permission, as well as various environmental, health, sanitation, licensing, fire and safety standards. Under the UK Disability Equality Act 2010, the US Americans with Disabilities Act and other laws, we have a duty to make our restaurants accessible to disabled customers.

We are also subject to various UK and US laws and EU regulations governing our relationship with employees, including such matters as minimum wage requirements, the treatment of part-time workers, employers' national insurance contributions, overtime and other working conditions.

We are also subject to various UK and US laws and EU regulations that regulate the offer and sale of franchises and aspects of the licensor-licensee relationships. Many franchise laws impose restrictions on the franchise agreement, including the duration and scope of non-competition provisions, the ability of a franchisor to terminate or refuse to renew and the ability of a franchisor to designate sources of supply.

***Insurance***

We maintain commercial insurance that is customary for businesses of our size and type. These policies cover a variety of areas including, but not limited to, terrorism, business interruption, public and products liability, and directors' and officers' liability in a form, and with such limits, as the board of directors believe are customary for businesses of our size and type.

***Property***

Our offices comprise our headquarters in London, England, which we lease.

As at April 23, 2017, we had 128 Company-operated restaurants in the United Kingdom and in the United States, all of which are leased. The leases for our franchise restaurants are all held by the respective franchisee.

***Legal proceedings***

We are currently not involved in, nor are we aware of, any other pending or threatened, legal or administrative proceedings that we would reasonably expect to have a material adverse effect on our financial condition or results of operations. From time to time, however, we are involved in legal and administrative proceedings incidental to our business, including various proceedings instituted by governmental authorities arising under the provisions of applicable laws or regulations. The outcome of legal proceedings can be extremely difficult to predict with certainty and we can offer no assurances that any such proceedings will not have a significant effect on our business.

### Risk Factors Related to Our Business

***Changes in consumer discretionary spending and general economic conditions, as well as other developments, could have a material adverse effect on our business, financial condition and results of operations.***

We believe our sales and profitability are strongly correlated to consumer discretionary spending, which is influenced by general economic conditions, unemployment levels, the availability of discretionary income and consumer confidence, particularly by consumers living in the communities in which our restaurants are located. As at April 23, 2017, approximately 96.9% of our Company-operated restaurants were based in, and in Financial Year 2017, we derived 96.8% of our turnover from, the United Kingdom. We are therefore particularly impacted by economic conditions and changes in consumer habits in the United Kingdom. If, for example, economic conditions decline, our customers may eat out less often, trade down to lower priced items or migrate to competitors who offer lower priced products.

While the restaurant industry had partially recovered from the global economic downturn that began in 2008, consumer sentiment fell again immediately after the Brexit referendum, and such lowered consumer confidence could lead to lower spending by consumers at our restaurants. Additionally, consumer price inflation in the United Kingdom, which was 2.9% as at May 2017, recently started to outpace wage growth, which was 1.7% for the 12-months ended April 2017. This inflationary pressure results in less disposable income for consumers in real terms, which could lead to lower spending by consumers generally, including at our restaurants. We cannot predict if our business will continue to be successful in the future. While we seek to manage our prices and input costs, volumes, inventories and working capital through economic uncertainty, we cannot predict whether challenging economic conditions will have any long-term effects on consumer confidence, our prices and input costs, demand for dining out experiences or volatility of food and drink costs, nor can we predict if the United Kingdom economy will continue to improve or will face a downturn. These factors may therefore continue to adversely affect our business, financial condition and results of operations.

Soft or weakening economic conditions in the United Kingdom, or in any of the areas in which our restaurants are located, may cause consumers to curtail discretionary spending, which in turn could reduce our restaurant sales and have an adverse effect on our results of operations. In addition, other developments, such as local strikes, terrorist attacks, both locally and in areas in which our franchise restaurants operate, social and economic instability, civil disturbances or similar events, could have a material adverse effect on our business and operations.

***The result of the UK referendum on withdrawal from the European Union may have a negative effect on economic conditions, financial markets and impact our underlying sales, which could materially adversely affect our business, results of operations and financial condition.***

We are based in and operate principally within the United Kingdom. On June 23, 2016, a majority of voters in the United Kingdom opted to withdraw from the European Union in a national referendum and on March 29, 2017, the UK Government formally initiated the withdrawal process ("Brexit"). The terms of withdrawal are subject to a negotiation period that could last at least two years. The outcome of the referendum and the terms of withdrawal have created significant uncertainty about the future relationship between the United Kingdom and the European Union, and has given rise to calls for certain regions within the United Kingdom to preserve their place in the European Union by separating from the United Kingdom. The result of the UK general election on June 8, 2017 has added to the uncertainty around the terms of the United Kingdom's withdrawal from the European Union. Depending on the final terms of Brexit, the United Kingdom could lose access to the single European Union market, which could result, among other things, in the disruption of the free movement of goods, services and people between the United Kingdom and the European Union, undermine bilateral cooperation in key geographic areas and significantly disrupt trade between the United Kingdom and the European Union or other nations as the United Kingdom pursues independent trade relations. This could have an impact on the general and economic conditions in the United Kingdom, which will directly adversely affect the financial condition of our customers.

Until the terms of Brexit become clear, it is not possible to determine the impact Brexit may have on our business. The potential impacts, if any, of the uncertainty of Brexit or the resulting terms of the withdrawal from the European Union on customer behaviour, labour availability in the United Kingdom, economic conditions, interest rates, exchange rates, availability of capital or other matters is unclear. Examples of the impact Brexit could have on our business, financial condition or results of operations include:

- uncertainty as to the terms of the United Kingdom's withdrawal from, and future relationship with, the European Union in terms of the impact on the free movement of our employees, services and capital;

- changes in foreign currency exchange rates and disruption in the capital markets;

- legal uncertainty and potentially divergent national laws and regulations as the United Kingdom determines which EU laws and directives to replace or replicate, or where previously implemented by enactment of UK laws or regulations, to retain, amend or repeal; and

- various geopolitical forces may impact the global economy and our business, including, for example, other EU member states proposing referendums to, or electing to, exit the European Union.

As at April 23, 2017, approximately 61% of our employees were not British citizens. There can be no assurance that we will be able to retain the same or similarly skilled employees that we currently employ at our restaurants due to the uncertainty surrounding the terms of Brexit. We are exposed to the risk that we may need to hire a substantial number of new staff, so that we can comply with any new labour and immigration laws after Brexit.

The announcement of the Brexit referendum result led to the weakening of the pound sterling against the US dollar, the euro and other major currencies. As the majority of the ingredients that we purchase are priced in pounds sterling, continued weakness of the pound sterling may increase our food costs when negotiating supplier contracts in the future as suppliers may pass on higher costs for imported ingredients. Additionally, there have been general across-the-board cost increases due to inflation.

Any of these effects of Brexit, and others that we cannot anticipate, could adversely impact our business, results of operations and financial condition.

***Our success depends on our ability to compete with our major competitors.***

The restaurant industry is highly competitive with respect to price, service, location and food quality, and there are some well-established competitors with greater financial and operational resources than we have. Our ability to compete depends on the success of our planned strategy to attract consumers to our restaurants, our ability to maintain our customers' perception of the quality and value of our products, improve our existing product offerings, develop and rollout new products and product line extensions, effectively respond to consumer preferences, manage the complexity of our restaurant operations and retain managerial staff, as well as the impact of our competitors' actions. Even though the branded restaurant industry has barriers to entry, new competitors may emerge at any time as new companies, including operators outside the restaurant industry in general, or the branded restaurant segment, enter our key markets and target our customer base. Existing or new competitors may have, among other things, better locations, larger estates, lower operating costs, better facilities, better management, better products, more effective marketing and more efficient operations. In addition, the availability of online delivery services increases competition with respect to price and food quality within the branded casual dining market, and between the branded casual dining market and the broader UK restaurant market, by reducing the importance of location and proximity, which may have an impact on our business, financial condition and results of operations.

In the United Kingdom, our competitors in the branded casual dining market include Pizza Express, YO! Sushi, Bella Italia, Prezzo, Jamie's Italian, La Tasca, Nando's, Cote, Las Iguanas, Zizzi, TGI Fridays, Frankie and Benny's, ASK Italian, Carluccio's, Byron, Café Rouge, Chiquito, Wahaca and Pizza Hut. To a lesser extent we also compete for customers with international, national, regional and local quick service restaurants (such as McDonald's and KFC), other casual eating and drinking establishments (such as hotels and coffee shops) and convenience and grocery stores. Any erosion of our competitive position could have a material adverse effect on our business, financial condition and results of operations.

***Our future performance depends in part on our ability to respond to changes in consumer preferences and perceptions.***

The restaurant industry is affected by consumer preferences and perceptions. If we fail to continue to offer and create appealing menu items, we may not be able to sustain or increase customer traffic, which may adversely affect our turnover. We may invest in the development of menu items and concepts, which may not be as successful as we had anticipated. For example, we piloted a sushi project which we ultimately decided not to pursue. If eating habits change, we may be required to adapt our food offering and we may not be able to do so successfully. Moreover, if prevailing preferences and perceptions cause consumers to avoid our products in favour of alternative food options, our business could suffer. In addition, negative publicity about our products could adversely affect our business, results of operations and financial condition. In recent years, numerous companies in the fast food industry have introduced products positioned to capitalise on the growing consumer preference for food products that are, or are perceived to be, healthy, nutritious and "cool". Our success will depend in part on our ability to anticipate and respond to changing consumer preferences, tastes and eating and purchasing habits.

***The failure of our existing or new restaurants to achieve expected results could have a negative impact on our revenues and financial results, including potential impairment of the long-lived assets of our restaurants, and could adversely affect our business, financial condition and results of operations.***

We owned and operated 124 wagamama restaurants in the United Kingdom as of April 23, 2017, ten of which opened within the last 12 months (six restaurants closed during the same period). The results achieved by these restaurants to date may not be indicative of longer term performance or of the potential market acceptance of restaurants located outside the United Kingdom. There can be no assurance that the performance of our existing restaurants is sustainable or that any new restaurants that we open will have similar operating results to those of our existing restaurants. Our new restaurants commonly take several months to reach planned operating levels due to inefficiencies typically associated with new restaurants, including the training of new personnel, lack of market awareness and other factors. The failure of our existing or new restaurants to perform as expected could have a significant negative impact on our business, financial condition and results of operations. In Financial Year 2017, we derived 9.7% of our revenue from our top five Company-operated UK restaurants. Over the same period, we derived 2.7% of our revenue from our largest restaurant.

We are subject to a number of significant risks, including, but not limited to, the risks described in this section, that might cause our actual results to vary materially from our historical results or future projections. Additionally, if market conditions deteriorate or if operating results decline, we may be required to record impairment charges of certain long-lived assets, which will negatively impact results of operations for the periods in which they are recorded. These factors may therefore continue to adversely affect our business, financial condition and results of operations.

***We are vulnerable to fluctuations in the price and availability of ingredients and transport.***

The prices of ingredients and transport that our suppliers use to transport our ingredients are subject to price fluctuations. Such fluctuations are attributable to, among other things, changes in the supply and demand of crops or other commodities, weather, fuel prices, labour costs, currency exchange rates and government-sponsored agricultural and livestock programmes. For example, the recent fall in the value of the pound sterling might affect our food costs in the future. As the majority of the ingredients that we purchase are priced in pounds sterling, the continued weakness of the pound sterling may increase our food costs when negotiating supplier contracts in the future as suppliers may pass on higher costs for imported ingredients. Additionally, there have been general across-the-board cost increases due to inflation. In particular, the availability and the price of fresh produce and other commodities, including fruits, vegetables and chicken, can be volatile. Epidemics in animal populations and local, national or international quarantines can also adversely affect commodity prices in the long and short terms. Government commodity programmes and export enhancement programmes can also have a material effect on commodity prices as well. Furthermore, Brexit may have an impact on our suppliers' trade relations and therefore also adversely affect the prices of our ingredients. These fluctuations may adversely affect our suppliers, who could be forced to raise their prices for our products when renegotiating supply contracts, or earlier if not contracted.

We and our suppliers use significant quantities of food commodities, especially fresh produce, provided by non-exclusive, third-party suppliers. Some of our supply arrangements are short-term and we have a limited number of suppliers for our major products (for example, all of our fresh noodles are purchased from one supplier). Also, the supply and pricing of the ingredients we use are subject to market conditions and are influenced by other factors beyond our control, such as general economic conditions, unanticipated demand, problems in production or distribution, natural disasters, weather conditions during the growing and harvesting seasons, and plant and livestock diseases. Our ability to avoid the adverse effects of a pronounced, sustained price increase in ingredients is limited.

Any events leading to price increases or scarcity of ingredients or increase of transport costs required to deliver ingredients to our restaurants could disrupt our operations, or negatively impact demand for our meals if we pass such price increases onto customers and subsequently have a material adverse effect on our business, gross margin, financial condition and results of operations.

***Shortages or interruptions in the supply or delivery of food products could have a material adverse effect on our business, financial condition and results of operations.***

We are dependent on frequent deliveries of food products that meet our specifications at competitive prices. These deliveries include fresh food, which is especially susceptible to problems arising from delays in the supply chain process, including food safety and hygiene issues. Shortages or interruptions in the supply of food products caused by unanticipated demand, problems in production or distribution, including services by common carriers that ship goods within our distribution channels, disease or food-borne illnesses, inclement weather or other conditions could adversely affect the availability, freshness, quality and cost of ingredients, which would adversely affect our business and our reputation. In particular, the failure of any of our suppliers to meet its service requirements for any reason could lead to a material disruption of service or supply, which could have a material adverse effect on our business, financial condition and results of operations.

***Higher labour costs could have a material adverse effect on our business, financial condition and results of operations.***

We are a labour intensive business. During Financial Year 2017, we employed, on average, approximately 5,077 persons. This included approximately 4,947 restaurant and distribution staff and approximately 130 administrative staff. Consequently, our success depends in part upon our ability to manage our labour costs and its impact on our margins.

We compete with other restaurants for good and dependable employees within the hospitality sector. Because we prepare many of our dishes on site, we require skilled chefs and skilled restaurant managers. Therefore, we must continue to attract, motivate and retain chefs and restaurant managers with the necessary qualifications. If we are unable to continue to recruit and retain sufficiently qualified managers or to motivate our employees to sustain high service levels, our business and growth could be adversely affected. Attracting and retaining qualified managers and employees in the hospitality sector remains challenging and our inability to meet these challenges could require us to pay higher wages, which would result in higher labour costs.

In the United Kingdom and the United States, there is a national minimum wage. As at April 23, 2017, approximately 33.8% of our total UK restaurant wage costs were attributable to employees on the National Living Wage. As of April 2017, the National Living Wage increased from £7.20 per hour to £7.50 per hour. The National Living Wage will increase in increments with a target set by the UK government of reaching £9.00 per hour by 2020. In addition, individuals may be subject to criminal prosecution for deliberately not complying with the legislation and anyone found guilty may be disqualified from being a company director for up to 15 years. Additionally, our restaurants in the US are located in Boston and New York City, and the minimum wage in these locations is higher than the US federal minimum wage.

As minimum wage rates increase, we may be required to increase not only the wage rates of our minimum wage employees but also the wages of higher paid employees. These higher labour costs could have a material adverse effect on our profitability. While we cannot be certain how this will affect our business, an increase in the minimum wage rate paid to certain workers will increase our labour costs.

An increase in labour costs and other associated costs as a result of the reasons discussed above could have a material adverse impact on our business, financial condition and results of operations.

***Our failure to comply with immigration laws and regulations may adversely affect our business.***

We regularly attract and retain employees who are not citizens of the United Kingdom or the United States and whose ability to work in the United Kingdom or the United States, as applicable, depends on our and their ability to obtain the necessary visas and work permits. Our failure to comply with immigration laws and regulations could result in penalties and fines and, under certain circumstances, bar us from making future employment-based non-immigrant or immigrant petitions in the United Kingdom or the United States, as applicable.

Immigration laws and regulations are subject to legislative and administrative changes as well as changes in their application standards and enforcement. Immigration laws and regulations can be significantly affected by political forces and changes in the level of economic activity. Our operations may be adversely affected if changes in immigration laws or regulations impair our ability to hire personnel who are not citizens of the United Kingdom or the United States, as applicable. Brexit is likely to have implications on immigration laws with respect to employees with European Union, but not British, citizenship and these changes may have a negative impact on our operations if these employees are no longer able to work in the United Kingdom or we cannot freely hire new qualified employees from European Union countries.

***We cannot assure you that the locations of our restaurants will continue to be economically viable.***

The locations of our restaurants have significant influence on their results of operations. We cannot assure you that current locations will continue to be economically viable. As demographic and economic patterns change, current locations may not continue to be attractive and profitable. Possible declines in neighbourhoods where our restaurants are located or adverse economic conditions in areas surrounding those neighbourhoods could result in reduced revenue in those locations. Furthermore, we may relocate or open restaurants in new areas in anticipation of future development which ultimately may not materialise.

In addition, the UK government adjusts the value of business rates to reflect changes in the property market approximately every five years. The most recent revaluation came into effect on April 1, 2017. The adjustments of the business rates could result in increased estate costs and consequently could have an adverse effect on the economic viability of certain restaurants.

***We may not be able to extend our leases, find new premises to lease for our new restaurant openings or cancel unprofitable leases.***

All of our restaurants in the United Kingdom are presently located on leased premises. While in the United Kingdom, under the Landlord and Tenant Act 1954, we have the right to renegotiate a significant portion of our lease renewals when they expire before the landlord seeks a new tenant, we may nevertheless be unable to negotiate new leases or lease extensions, either on commercially acceptable terms or at all. The inability to renew any of our leases on commercially acceptable terms, or at all, could cause us or our franchisees to close restaurants which would impact our profitability. In addition, our sales and our brand building initiatives could be adversely affected. We generally cannot cancel our leases; therefore, if an existing or future restaurant is not profitable, and we decide to close it, we may nonetheless be committed to perform our obligations under the applicable lease including, among other things, paying the base rent up to the first contractual break point. Some of our leases require us to obtain the landlord’s consent prior to undertaking any alterations or refurbishments on the leased premises. Delays in obtaining the necessary consent may affect the completion time of refurbishments at restaurants, which could adversely affect the profitability of those restaurants.

***Our strategy to increase the number of our restaurants and expand internationally may fail.***

In order to maintain our market share, we need to continue to grow and expand our restaurant base in the United Kingdom, as well as internationally. We may face many challenges in opening new restaurants, including, among others:

- the selection and availability of suitable restaurant locations with acceptable lease terms;
- competition for new premises;
- attracting customers to new premises;
- the impact of local tax, zoning, land use and environmental rules and regulations on our ability to develop restaurants, and the impact of any material difficulties or failures that we experience in obtaining the necessary licenses and approvals for new restaurants;
- recruiting qualified staff;
- securing acceptable suppliers; and
- consumer preferences and local market conditions.

Our capital and other expenditures may also be higher than expected due to cost overruns, unexpected delays or other unforeseen factors. We may also incur costs for restaurant locations which fail to open due to unforeseen circumstances. Furthermore, new restaurants could compete with our existing restaurants for customers, causing the number of customers who visit our existing restaurants to decline, resulting in lower sales growth and/or profitability than expected.

***Expansion of our operations into the United States involves additional risks and our exposure to these risks will increase as our business continues to expand.***

A key element of our strategy is to expand in target markets, primarily in the United States. As of April 23, 2017, we had 128 Company-operated restaurants across the United Kingdom and the United States, with three restaurants in Boston and one in New York City. As the United States is still a relatively new market to us, we must tailor our restaurants and business models to the circumstances of each particular city, state or geographical region, which can be complex, difficult, costly and divert management and personnel resources. In addition, we may face competition in the United States from other branded restaurants that have more experience and brand recognition throughout the United States than us. We face the risk that local populations will prefer local or well-established United States restaurant brands, which could adversely affect our profitability. Furthermore, there may be difficulties in attracting and retaining qualified employees, as well as managing staffing and operations in the US. We are also exposed to the risk of operational inefficiencies due to, among other things, complexity, distance and time zones.

Additionally, there is a risk that we may be unable to adapt our menu to suit local tastes, to create restaurants that appeal to customers with regards to our décor and to obtain leases in suitable geographic locations. As we expand our operations throughout the US, we face the risk that our brand will not be as positively and willingly accepted as in the United Kingdom, and since the success of our business in part depends on our brand recognition, this could have an adverse effect on our results of operations.

***Our financial results may fluctuate depending on various factors, many of which are beyond our control.***

Our sales and operating results can vary from financial period to financial period depending on various factors, which include:

- variations in timing and volume of our sales;
- sales promotions by us and our competitors;
- changes in average like-for-like sales and customer visits;
- variations in the price, availability and shipping costs of our supplies;
- variations in labour costs and productivity;
- general cost inflation;
- weather conditions;
- timing of holidays or other significant events;
- changes in competitive and economic conditions generally;
- changes in consumer preferences;
- rent increases; and

- depreciation of the pound sterling.

Certain of the foregoing events may directly and immediately decrease demand for our products, and, therefore, could have a material adverse effect on our business, financial condition and results of operations.

***Concerns about food safety, traceability and hygiene may damage our reputation, increase our costs of operation or decrease demand for our products.***

Food safety, traceability (including in respect of product origins, freshness and conditions or preservation through the supply chain), hygiene and the perception by our customers and the general public that our products are safe are essential to our image and business. As a result, we are subject to food safety risks, and in particular product contamination as a result of food-borne illnesses, new illnesses resistant to any preventative measures, diseases with long incubation periods which could give rise to claims or allegations on a retroactive basis (such as mad cow disease), tampering or exposure to ill employees, spoilage of fresh produce as a result of inadequate storage or refrigeration and the potential cost and disruption of a product recall or withdrawal. Instances of illness, outbreaks of pandemic or epidemic disease or the occurrence of any other public health concern traced to our restaurants, or claims of illness or injury relating to food quality or handling at restaurants would negatively affect our reputation and could lead to a material reduction in attendance. The considerable expansion in the use of social media in recent years has compounded the potential scope of the negative publicity that could be generated by such incidents.

Additionally, our reliance on third-party food suppliers and distributors increases the risk that food-borne illness incidents could be caused by factors outside our control. We maintain systems designed to control food safety and sourcing risks, including by providing a clean environment at our restaurants and health-related training to our employees. Although we endeavour to control the risks related to product quality, security and sourcing through the implementation of, and strict adherence to, our quality standards, we cannot guarantee that such risks will not materialise.

Further, the occurrence of food-borne illnesses or food safety issues could adversely affect the price and availability of affected ingredients, which could result in disruptions in our supply chain, significantly increase our costs and/or lower our margins. In addition, our industry has been and continues to be subject to the threat of food tampering by suppliers, employees or guests, such as the addition of foreign objects in the food we sell. Any adverse media reports on the type of food we offer, our segment of the casual dining industry or restaurants operating under our brand can have an almost immediate and significant adverse impact on companies operating in that segment or on our restaurants, even though they have personally not engaged in the conduct being publicised. Such sensationalist media topics have in the past severely injured the reputations of certain restaurant brands and could in the future adversely affect us as well.

***We are subject to health, safety and environmental regulations, which could result in increased costs and fines, as well as the potential for damage to our reputation.***

As a preparer of food products for human consumption, we are subject to health, safety and environmental directives, laws and regulations, including regulations promulgated and enforced by local, national, UK, European and international authorities. These directives and regulations relate to the remediation of land water supply and use, water discharges, air emissions, waste management, noise pollution, odour control, pest control, the use of refrigerators, and workplace and product health and safety. We are also subject to stringent preparation, health, quality, and nutritional disclosure regulations and standards. Health, safety and environmental legislation in the United Kingdom and elsewhere has tended to become broader and stricter, and enforcement has tended to increase, over time.

Any failure to comply with health, safety and environmental requirements may lead to fines and other sanctions, as well as damage to our reputation. If health, safety and environmental laws and regulations in the countries in which we have restaurants and from which we source ingredients are strengthened in the future, the extent and timing of investments required to maintain compliance may differ from our internal planning and may limit the availability of funding for other investments. In addition, if the costs of compliance with health, safety and environmental laws and regulations continue to increase and it is not possible for us to integrate these additional costs into the price of our products, our profitability could be adversely affected.

Our restaurants and our central kitchen contain hazards associated with food preparation, including large ovens, hot surfaces and sharp utensils. Accidents as a result of the food preparation process and future health claims actually or allegedly resulting from exposure to the food preparation process may occur in our business. We could be subject to claims by government authorities, individuals and other third parties seeking damages for alleged personal injury or property damage resulting from such accidents or other such incidents. Any of these events could adversely impact our customers' perception of us and our reputation.

We could incur additional liabilities under health, safety and environmental laws and regulations and civil liability rules. Under some of these laws and regulations, we could be liable for investigation or remediation of contamination at properties we occupy, even if the contamination was caused by a party unrelated to us and was not our fault, and even if the activity causing the contamination was legal. We may not identify such contamination associated with historical site operations prior to leasing, developing or acquiring a property. The discovery of previously unknown contamination, or the imposition of new obligations to investigate or remediate contamination at our properties, could result in substantial unanticipated costs. In some circumstances, we could be required to pay fines or damages under these laws and regulations. Regulatory authorities may also require us to curtail operations or close our restaurants temporarily or permanently, including for the purpose of preventing imminent risks. In certain circumstances, neighbours affected by smells or noise from our restaurants could seek an injunction which, if successful, may adversely affect our operations as well.

Although we believe that we conduct our operations in a way that mitigates health, safety and environmental risks and have in place appropriate systems for identifying and managing potential liabilities, there can be no assurance that we have identified and are addressing all sources of health, safety and environmental risks. There can be no assurance that we will not incur health, safety and environmental losses or that any losses incurred will not have a material adverse effect on our business, financial condition and results of operations. In addition, future changes in health, safety and environmental laws or regulations may have a material adverse effect on our results of operations and financial condition.

***Failure by third-party suppliers to supply ingredients in compliance with food safety, environmental or other regulations may disrupt our supply of certain products and adversely affect our business, financial condition and results of operations.***

We rely on third-party suppliers to supply ingredients used in the preparation of our meals, including spices, sauces, meat and fresh produce. Such suppliers are subject to regulations, including food safety and environmental regulations. In addition, our suppliers may be exposed to negative publicity concerning the content of the ingredients and other raw materials they supply to us. Failure by any of our suppliers to comply with regulations, allegations of compliance failure, claims of intentional or negligent contamination of ingredients and raw materials or prolonged and intense negative publicity may disrupt their operations. Disruption of our suppliers' operations could disrupt our supply of ingredients or other raw materials, which could have a material adverse effect on our business, financial condition and results of operations. Additionally, actions we may take to mitigate the impact of any such disruption or potential disruption, including increasing inventory in anticipation of a potential production or supply interruption, could have a material adverse effect on our business, financial condition and results of operations.

***We face risks associated with complaints and litigation from customers, employees and others in the ordinary course of business.***

Claims of illness or injury relating to kitchen hygiene, food quality and food handling are common in the food service industry. Further, we face the risk of claims of illness or injury relating to premise liability given that we operate retail commercial establishments that are open to the public. Moreover, we may be subject to employee and other claims in the future based on, among other things, discrimination, harassment, wrongful termination, and wage, rest break and meal break issues, including those relating to overtime compensation and holiday pay. These types of claims, as well as other types of lawsuits to which we are subject from time to time, can distract our management's attention from our business operations. We are subject to these types of claims in the ordinary course of our business, have insurance coverage relating to such claims, and seek protection in our supplier and employment contracts, where possible.

Regardless of whether any claims against us are valid or whether we are liable, claims may be expensive to defend, may divert time and money away from our operations, hurt our brand, cause adverse publicity and negatively impact our performance. A judgment significantly in excess of our insurance coverage could have a material adverse effect on our business, financial condition and results of operations. Further, adverse publicity resulting from these allegations could have a material adverse effect on our business, financial condition and results of operations.

***We are exposed to risks related to noncompliance with law and regulations and conducting operations in multiple jurisdictions, any of which could have a material adverse effect on our business and results of operations.***

We operate in the United Kingdom and the United States, as well as in Western Europe, Eastern Europe, the Middle East and New Zealand through franchise arrangements, and intend to continue to expand our operations in existing and into additional countries outside of the United Kingdom. Notwithstanding the benefits of geographic diversification, our business is subject to risks related to the differing legal, political, social and economic conditions as well as the differing regulatory requirements of many jurisdictions. Risks generally inherent in international operations include the following, among others:

- general economic, social or political conditions in the countries in which we operate could have an adverse effect on our earnings from operations in those countries;
- armed conflicts or terrorist attacks which may affect international economies or consumer confidence;
- compliance with a variety of laws and regulations, including tax, in various jurisdictions may be burdensome;
- unexpected or potentially adverse changes in laws or regulatory requirements in various jurisdictions may occur;
- exposure to civil or criminal liability under, to the extent applicable, the UK Bribery Act (the "UKBA"), the US Foreign Corrupt Practices Act ("FCPA"), the restrictions imposed by the Office of Foreign Assets Control ("OFAC") of the US Department of Treasury, trade and export control regulations, as well as other national laws and international conventions;

- the imposition of withholding taxes or other taxes or royalties on income, or the adoption of other restrictions on foreign trade or investment, including currency exchange controls;
- intellectual property rights may be difficult to enforce;
- staffing difficulties, national or regional labour strikes or other labour disputes; and
- the imposition of price controls.

We are required to comply with a number of UK and other anti-bribery and money laundering regulations, which, in the case of the UKBA, generally prohibits UK companies and UK persons from making improper payments, including bribes or facilitation payments. The UKBA also prohibits non-UK companies and non-UK persons from making improper payments in the UK jurisdiction. Furthermore, a UK company and a non-UK company which carries on a business in the United Kingdom can also commit an offense of failing to prevent bribery of one of its associated persons. The provisions of the UKBA extend beyond bribery of foreign public officials to bribery in the private sector and are therefore broader than the FCPA in a number of other respects, including the scope of jurisdiction and non-exemption of facilitation payments. Although we enforce and monitor controls that are intended to reduce the risk of violations of applicable laws, including internal control procedures and compliance policies and training to which our employees are subject, together with compliance policies to which our franchisees are also subject, we nevertheless risk being associated with unauthorised or improper payments or offers of payments by one of our associated persons, such as employees, agents, suppliers or, to a more limited extent, franchisees, that could be in violation of the UKBA or FCPA, even if these parties act without our knowledge or consent and are not subject to our control. The risks associated with potential violations of such regulations may negatively affect future results of operation or subject us to criminal or civil enforcement actions in a number of jurisdictions.

We could be exposed to a variety of negative consequences as a result of any potential violations of law, such as criminal or civil enforcement actions in multiple jurisdictions, costs in connection with internal or external investigations of any potential violations of which we become aware, costs to undertake additional compliance training programmes to ensure we have effective policies and procedures in place and the focus on such matters by our senior management that could impinge on the time they have available to devote to other matters relating to our business. In addition, we could be subject to media and governmental interest, which could negatively impact our reputation and relationships with our customers, suppliers, partners and other stakeholders. Any of these consequences could have a material adverse effect on our reputation, business, financial condition and results of operations.

***Our results can be adversely affected by adverse weather conditions or unforeseen events such as terrorist attacks, natural disasters or catastrophic events.***

Adverse weather conditions or unforeseen events such as natural disasters or catastrophic events, whether natural or man-made, can adversely impact our restaurant sales and lead to property damage and personal injury claims against us. Natural disasters such as earthquakes, hurricanes and severe adverse weather conditions, as well as health pandemics, whether occurring in the United Kingdom or abroad, can keep customers in the affected area from dining out and result in lost opportunities for our restaurants. Political crises, such as riots, terrorist attacks, war and other political instability could also disrupt our operations. Additionally, serious fires, including kitchen fires, gas leaks, water leakages and flooding from storms can also result in significant damage to restaurant property, loss of inventory stock, personal injury claims and temporary restaurant closures. Because a significant portion of our restaurant operating costs is fixed or semi-fixed in nature, the loss of sales during these periods could hurt our operating margins and could result in restaurant operating losses.

***Our business, financial condition or results of operations could be negatively affected by our reliance on the central kitchen facility to produce sauces and gyoza for all of our restaurants in the United Kingdom.***

Our success depends, in part, upon consistent quality of the dishes served in our restaurants. In 2013, we opened a new central kitchen facility to centralise production of certain ingredients and facilitate such consistency. The central kitchen produces sauces and gyoza for all of our restaurants in the United Kingdom. Any disruption in the central kitchen's services due to, among other things, fire, natural disaster, power loss, flooding, or work stoppage could lead to a temporary disruption in supply of the sauces and gyoza featured in many of our dishes.

***Our operating results depend on the effectiveness of our marketing and advertising programmes.***

Our revenues are influenced by brand marketing and advertising. Our marketing and advertising programmes may not be successful, which may cause us to fail to attract new customers and retain existing customers. If our marketing and advertising programmes are unsuccessful, or if our marketing and advertising campaigns happen to coincide with a larger marketing and advertising campaign from one or more of our competitors, thereby rendering our campaign less visible or effective, our results of operations could be materially and adversely affected. If our sales decline, there will be a reduced amount available for our marketing and advertising programmes. However, because of the significant financial resources of our main competitors, we may have to maintain a certain level of marketing and advertising spend (notwithstanding any decline in sales) in order to compete and maintain our exposure in the market. In such circumstances, our margins may be diminished, which will have a negative effect on our financial condition and results of operations. If our marketing and advertising programmes are unsuccessful, our business, results of operations and financial condition may be adversely affected.

In addition to including a digital component, our marketing strategy going forward will also include exploiting marketing opportunities provided by delivery services, for example, through our arrangement with Deliveroo. Using Deliveroo to deliver food will reduce the amount of control we have over the final product our customers receive. If the delivery service arrives late, delivers the wrong order, the order is missing items or if the food is cold or is otherwise unappetising, a customer may associate this mistake with us. These negative experiences, if occurring in the aggregate, could materially affect our brand and reduce revenue, affecting our business, financial condition and operating results.

***Increased use of social media could create or amplify the effects of negative publicity and have an adverse material effect on our business, financial condition or results of operations.***

There has been a marked increase in use of social media platforms and similar devices in the food industry, including weblogs (blogs), social media websites and other forms of Internet-based communications, which allow individuals to access a broad audience of consumers and other interested persons. Consumers value readily available information concerning retailers and their goods and services, and often act on such information without further investigation, authentication and without regard to its accuracy. The availability of information on social media platforms and devices is virtually immediate as is its impact. Social media platforms and devices immediately publish the content their subscribers and participants post, often without filters or checks on the accuracy of the content posted. As a result, the opportunity for dissemination of information, including inaccurate information, is virtually limitless. Information concerning or affecting us may be posted on such platforms and devices at any time, including inaccurate and adverse information that may harm our business. For example, inaccurate and adverse reviews about and customer ratings of our restaurants may be published on the internet on social media platforms such as Facebook, Twitter and Instagram and websites such as TripAdvisor. The harm from these reviews and ratings may be immediate, without affording us an opportunity for redress or correction. Furthermore, these reviews may contain criticisms and allegations that are not verifiable, which may limit our ability to successfully address such reviews. The negative publicity arising from these reviews and customer ratings may counter the effectiveness of our marketing and advertising programmes and dampen demand for our offerings, which would harm our business.

In addition, events reported in the media, including social media, whether or not accurate or involving wagamama, could create and/or amplify negative publicity for us or for the industry or market segments in which we operate. Such media topics could include food-borne or hygiene-related illnesses, issues with food traceability, contamination, unsanitary restaurant environment, issues relating to quality of service or product quality, discriminatory behaviour, injuries or restaurant staff policies. Media reports relating to any of these topics, even where not involving us, could reduce demand for our products and could result in a decrease in customer traffic to our restaurants as consumers shift their preferences to our competitors or to other products or food types. A decrease in traffic to our restaurants as a result of negative publicity from the media, including social media, could result in a decline in sales, which would have an adverse effect on our business, financial condition and results of operations.

***Some of our current restaurants are franchised and this presents a number of disadvantages and risks.***

All of our restaurants outside of the United Kingdom and the United States generated franchise fees which corresponded to 1.0% of our turnover in Financial Year 2017 and our franchised restaurants represented 25.6% of our total restaurants as of April 23, 2017.

Franchise arrangements present a number of drawbacks, such as:

- our limited influence over franchisees and reliance on franchisees to implement major initiatives, limited ability to facilitate changes in restaurant ownership, limitations on enforcement of franchise obligations due to bankruptcy or insolvency proceedings and inability or unwillingness of franchisees to participate in our strategic initiatives;

- the need to have the support of our franchisees for marketing programmes and any new capital intensive or other strategic initiatives which we may seek to undertake, and the successful execution thereof;

- the fact that franchisees are independent operators and we cannot control many factors that impact the turnover of their restaurants, which directly affects the royalties and fees we receive from them;

- the fact that franchisees may be less directly interested in preserving or enhancing our brand image and reputation than we are, and therefore, may not operate their restaurants in a manner consistent with our standards and requirements for cleanliness, service or quality; and

- our limited influence over the decision of franchisees to invest in other businesses or incur excessive indebtedness.

These risks will be amplified as we open more franchised restaurants with additional franchise partners. Additionally, we rely on positive brand recognition to attract customers. Our brand could be harmed by the actions of any of our franchisees. Any damage to our reputation, brand image or brand name through either a single event or series of events involving, or due to perceptions (such as the overall quality of our service) regarding our franchisees could have a material adverse effect on our ability to market our restaurants and attract and retain customers.

***Our inability to control our franchisees may limit our ability to implement our strategic initiatives and could adversely affect our business, results of operations and financial condition.***

We derive a portion of our turnover from franchise restaurants. We receive a substantial majority of turnover from our franchisees in the form of royalties, generally based on a percentage of sales at franchise restaurants. If a franchisee experiences financial difficulties or declining sales, their financial viability may deteriorate, which could result in, among other things, restaurant closures and delayed or reduced royalty payments, advertising contributions and rents, which could have an adverse effect on our business, results of operations and financial condition. For example, our Australian franchisee went into administration and by September 2014 all of our restaurants in Australia were closed.

Furthermore, our franchisees are independent operators and, while we can mandate certain operational standards and procedures through the enforcement of our franchise agreements, we may not be able to quickly respond to franchisees that do not uphold these standards. Franchisees may be less directly interested in preserving or enhancing our brand image and reputation than we are and therefore may not operate their restaurants in a manner consistent with our standards and requirements for cleanliness, service or quality. While we ultimately can terminate franchisees that do not comply with their franchise agreements, our image and reputation may suffer and our franchise revenues and results of operations could decline.

***Our franchisees may not be willing or able to renew their franchise agreements with us.***

Our franchise agreements typically have a 10-year term, and our franchisees may be unwilling or unable to renew their franchise agreements with us for a number of reasons, including low sales volumes, high rental costs or the restaurant's lack of profitability. Additionally, but subject to any non-competition obligations that may be in force, franchisees may choose to open a franchise with a competitor that is able to offer better terms. If our franchisees cannot, or decide not to, renew their franchise agreements with us, we may have to find replacement franchisees to operate their restaurants or otherwise operate them as Company-operated restaurants. If a substantial number of franchises are not renewed, our business, results of operations and financial condition could be adversely affected.

***We may be adversely affected by fluctuations in currency exchange rates.***

Although we report our results in pound sterling, we conduct a small portion of our business in countries that use other currencies, and as a result we are exposed to foreign currency risk on sales that are denominated in a currency other than the pound sterling.

The US dollar is the primary currency giving rise to this risk as a result of our restaurants in the United States. For example, wages and leases in the United States are paid in US dollars. As a result, any appreciation of the US dollar against the pound sterling will effectively increase our labour and lease costs in the United States. Additionally, we are exposed to foreign currency risk on royalty payments from our franchisees that are determined on the basis of revenue in a foreign currency and that are denominated in a currency other than pound sterling. Exchange rate fluctuations could have an adverse effect on our business, financial condition and results of operations.

***We depend on the services of key individuals, the loss of whom could materially harm our business.***

Our success will depend, in part, on the efforts of our executive officers and other key employees. In addition, the market for qualified personnel is competitive and our future success will depend on our ability to attract and retain these personnel. We will continue to review and, where necessary, strengthen our senior management as the needs of the business develop, including through internal promotion and external hires. There may be a limited number of persons with the requisite skills to serve in these positions and we cannot assure you that we would be able to locate or employ such qualified personnel on terms acceptable to us or at all. Therefore, the unplanned loss of one or more of our directors or members of senior management, or our failure to attract and retain additional key personnel, could have a material adverse effect on our business, results of operations and financial condition until a suitable replacement can be found.

***Our computer and information technology systems may fail, be damaged or be perceived to be insecure. Further, if we do not maintain the security of customer-related information, we could damage our reputation with customers.***

Our operations are dependent upon the successful implementation and uninterrupted functioning of our computer and information systems. Our systems could be exposed to damage or interruption from fire, physical and digital theft, natural disaster, power loss, telecommunications failure, unauthorised entry and computer viruses. System defects, failures and interruptions could result in:

- additional development costs;
- diversion of technical and other resources;
- disruption to our promotional activities and loss of customers and sales;
- loss or theft of employee or customer data;
- negative publicity;
- harm to our business and reputation; and
- exposure to litigation claims, fraud losses or other liabilities.

To the extent we rely on the systems of third parties in areas such as credit card processing, telecommunications and wireless networks, any defects, failures and interruptions in such systems could result in similar adverse effects on our business. Sustained or repeated system defects, failures or interruptions could have a material adverse effect on our business, financial condition and results of operations. Also, if we are unsuccessful in updating and expanding our systems, our ability to drive same store sales, improve operations, implement cost controls and grow our business may be constrained.

In addition, we have recently introduced our wagamama application which allows customers to review our menu and place orders through the application. The software for the application is provided as part of a third party service contract whereby the data is populated onto a cloud-based database that is hosted by a third party service provider. All security and routine maintenance for this database is conducted by the third-party service provider and there is no guarantee that the third-party service provider will properly store and safeguard personal data collected in connection with our customers' use of the application. Any loss, theft or mismanagement of personal data from this database, including loss resulting from system defects and intentional breaches of our system, could result in claims alleging breaches of data protection, privacy or failure to comply with applicable laws and regulations. These claims, even if successfully defended, could have a material adverse effect on our reputation and divert the attention of our management team. In addition, if we were to be found liable under any such claims, our business, results of operations, financial condition and prospects could be materially and adversely affected.

***Failure to obtain and maintain required licenses and permits or to comply with alcoholic beverage or food control regulations could lead to the loss of our food and alcoholic licenses and, thereby, harm our business.***

Our restaurant operations are subject to various local and national regulations, including those relating to the sale of food and alcoholic beverages. Such regulations are subject to change from time to time. The failure to obtain and maintain these licenses, permits and approvals could adversely affect our operating results. In the United Kingdom, licenses may be revoked, suspended or denied renewal for cause at any time if governmental authorities determine that our conduct violates applicable regulations.

Difficulties or failure to maintain or obtain the required licenses and approvals could adversely affect our existing restaurants and delay, or result in our decision to cancel, the opening of new restaurants, which would adversely affect our business.

***Infringement or misappropriation of our intellectual property could harm our business.***

We regard our 'wagamama' and 'positive eating + positive living' trademarks, as well as the associated star logos, as having significant value and as being important factors in the marketing of our restaurants. We have also obtained trademarks for our key sub-brands. Our policy is to pursue registration of our trademarks where possible, but we rely on a combination of protections provided by contracts, copyrights, trademarks, and other common law rights, such as trade secrets and unfair competition laws, to protect our restaurants and services from infringement.

We have registered certain trademarks and have other registration applications pending. There may not be adequate protection for certain intellectual property, such as the overall appearance of our restaurants. In addition, unauthorised uses or other misappropriation of our trademarks in geographic regions in which we operate or into which we intend to expand could diminish the value of our brand and may adversely affect our business. Failure to adequately protect our intellectual property rights could damage our brands and impair our ability to compete effectively. Further, defending or enforcing our trademark rights, branding practices and other intellectual property, and seeking injunctions and/or compensation for misappropriation of confidential information, could result in the expenditure of significant resources.

We currently franchise our brand to a number of franchisees across 19 different countries. While we try to ensure the quality of our brand is maintained by our franchisee, we cannot assure you that the franchisee will not take actions that negatively affect the value of our intellectual property or the reputation of our franchised restaurants.

***Our assets, such as goodwill and trademarks, are subject to the risk of impairment.***

As at April 23, 2017, intangible assets that we carried on our consolidated balance sheet mainly consisted of goodwill and trademarks. We determine the value of the intangible assets in accordance with applicable accounting principles. An impairment loss with respect to goodwill and/or other intangible assets may have a material adverse effect on our business, financial condition and results of operations.

***Our current insurance policies may not provide adequate levels of coverage against all claims.***

We believe that we maintain insurance coverage that is customary for businesses of our size and type. These insurance policies may not be adequate to protect us from liabilities that we incur in our business. In addition, in the future, our insurance premiums may increase and we may not be able to obtain similar levels of insurance on reasonable terms or at all. Moreover, there are types of losses we may incur that cannot be insured against or that we believe are not commercially reasonable to insure against such as trade name restoration coverage associated with losses such as food-borne illness. Any such inadequacy of or inability to obtain insurance coverage could have a material adverse effect on our business, financial condition and results of operations.

***Challenging economic conditions could have a material adverse effect on our suppliers', our distributors' and other counterparties' liquidity and capital resources.***

Since 2008, the general economic and capital market conditions in the United Kingdom and other parts of the world have been challenging. These conditions have resulted in limited access to capital resources. Although we believe that our capital structure and credit facilities are sufficient, there can be no assurance that, to the extent such conditions persist, our liquidity will not be affected by changes in the financial markets or that our capital resources will at all times be sufficient to satisfy our liquidity needs over the long-term. The deterioration of these conditions could have a material adverse effect on our future cost of debt and equity capital and access to the capital markets.

Further, the inability of our suppliers or distributors to access liquidity, or the insolvency of our suppliers or distributors could lead to delivery delays or failures. In addition, failures of other counterparties, including banks, insurance providers and counterparties to contractual arrangements, could have a material adverse effect on our business, financial condition and results of operations.

### Certain Relationships and Related Party Transactions

In the course of our ordinary business activities, we regularly enter into agreements with or render services to related parties. In turn, such related parties may render services or deliver goods to us as part of their business. Purchase and supply agreements between subsidiaries and affiliated companies and with associated companies or shareholders of such associated companies are entered into on a regular basis within the ordinary course of business.

We believe that all transactions with affiliated companies and persons with which members of our board of managers are affiliated are negotiated and conducted on a basis equivalent to those that would have been achievable on an arm's-length basis, and that the terms of these transactions are comparable to those currently contracted with unrelated third-party suppliers, manufacturers and service providers. In addition to the foregoing ordinary course transactions, we have also entered into the following transactions with related parties:

### Certain financing arrangements

Mabel Midco Limited ("**Midco**"), the immediate parent of the Company, issued loan note instruments to certain of its shareholders on April 20, 2011 (as amended from time to time, the ''**Shareholder Loan Notes**''). As of April 23, 2017, the Shareholder Loan Notes bear interest at 10% per annum, compounded semi-annually, which historically has been partially paid by issuing additional loan notes in respect of accrued interest with respect to the Shareholder Loan Notes issued to institutional holders and as deferred interest with respect to Shareholder Loan Notes issued to management and the employee benefit trust. The Company and its subsidiaries do not have any obligations with respect to the Shareholder Loan Notes.

As of 23 April 2017, we estimate that the amount of the Shareholder Loan Notes issued by Midco to certain shareholders, including affiliates of Duke Street General Partner Limited, and Hutton Collins Partners LLP, certain former and current members of management and an employee benefit trust is £190.6 million.

### Payments to shareholders

Duke Street General Partner Limited and Hutton Collins Partners LLP were each paid £90,000, in respect of services provided by non-executive board members, for each of Financial Year 2017, Financial Year 2016 and Financial Year 2015.

### Management

We have employment agreements with our directors and other senior management, some of which have invested in our equity, directly or indirectly. Certain directors and members of the senior management of the Group have invested in a management equity programme pursuant to which they hold approximately 13.4% of the equity interests of Topco.

## Further information for noteholders

This report was prepared in accordance with the indenture dated January 28, 2015 among Wagamama Finance plc, as Issuer, the guarantors named therein, U.S. Bank Trustees Limited, as Trustee, Elavon Financial Services Limited, UK Branch, as paying agent and transfer agent, Elavon Financial Services Limited, as registrar, and U.S. Bank Trustees Limited, as Security Trustee.

This annual report may include forward-looking statements. All statements other than statements of historical facts included in this annual report, including those regarding the Group's financial position, business and acquisition strategy, plans and objectives of management for future operations are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Group, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. Many factors could cause the Group's actual results, performance or achievements to differ materially from those in the forward-looking statements. Forward-looking statements should, therefore, be construed in light of such risk factors and undue reliance should not be placed on forward-looking statements. These forward-looking statements speak only as of the date of this annual report. The Group expressly disclaims any obligations or undertaking, except as required by applicable law and applicable regulations to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Group's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

## Non-FRS 102 Financial information

Certain parts of this annual report contains non-FRS 102 measures and ratios, including EBITDA, Adjusted EBITDA, Adjusted EBITDA margin, new site capital expenditures, refurbishment expenditures, maintenance expenditures, other capital expenditures, total capital expenditures, like-for-like sales growth and working capital that are not required by, or presented in accordance with, FRS 102. We believe that these measures are useful indicators of our ability to incur and service our indebtedness and can assist certain investors, security analysts and other interested parties in evaluating us. Because all companies do not calculate these measures on a consistent basis, our presentation of these measures may not be comparable to measures under the same or similar names used by other companies. Accordingly, undue reliance should not be placed on these measures in this annual report In particular, EBITDA, and Adjusted EBITDA are not measures of our financial performance or liquidity under FRS 102 and should not be considered as an alternative to (a) net income/(loss) for the period as a measure of our operating performance, (b) cash flows from operating, investing and financing activities as a measure of our ability to meet our cash needs or (c) any other measures of performance under FRS 102.

Our non-FRS 102 measures are defined by us as follows:

- We define “EBITDA” as profit for the financial period plus tax on profit on ordinary activities, net interest payable and similar charges, exceptional administrative (expenses)/income, (loss)/gain on disposal of fixed assets, goodwill amortisation and depreciation and impairment of tangible assets.
- We define “Adjusted EBITDA” as EBITDA adjusted for the impact of restaurant pre-

opening costs and corporate expenses.

- We define “Adjusted EBITDA margin” as Adjusted EBITDA divided by turnover.
- We define “turnover” as income generated from Company-operated restaurants and franchise income.
- We define “new site capital expenditures” as the capital expenditures we incur in order to purchase and outfit a new restaurant in preparation for its opening.
- We define “refurbishment expenditures” as expansion capital expenditures in existing restaurants.
- We define “maintenance expenditures” as the capital expenditures we incur to maintain our restaurants.
- We define “other capital expenditures” as the capital expenditures we incur for overhead costs relating to our central kitchen and other centralised capital expenditures relating primarily to training and IT.
- We define “total capital expenditures” as the purchase of tangible fixed assets as reflected in our cash flow statements.
- We define “like-for-like sales growth” as sales from our UK restaurants that traded for at least 17 full four-week periods. Restaurants are included on a rolling basis as each new restaurant is included in the like-for-like comparison once it has traded for 17 full four-week periods. Any week in which a restaurant did not have revenue and the preceding and following week are excluded both in the period considered and in the comparative period. Like-for-like sales growth for Financial Years 2016 and 2017 are based on 52 weeks.

**APPENDIX**

Please find below a reconciliation calculation from profit for the financial period to EBITDA and Adjusted EBITDA and adjustments made to calculate Adjusted EBITDA for the periods indicated:

| | **As at and for the Financial Year ended** | |
|---|---|---|
| **(£ thousands) (unaudited)** | **April 24, 2016** | **April 23, 2017** |
| (Loss)/Profit for the financial period | 2.6 | 5.4 |
| Tax on profit/(loss) on ordinary activities | 1.0 | 3.9 |
| Net interest payable and similar charges | 13.0 | 12.9 |
| Exceptional administrative expenses | 1.1 | (0.6) |
| Goodwill amortisation | 9.1 | 9.1 |
| Depreciation and impairment of tangible assets[a] | 8.9 | 11.2 |
| Loss on disposal of assets | - | 0.5 |
| **EBITDA** | **35.7** | **42.4** |
| Pre-opening costs[b] | 2.7 | 3.0 |
| Corporate expenses[c] | 0.3 | 0.1 |
| **Adjusted EBITDA** | **38.7** | **45.5** |

(a) Depreciation and impairment of tangible assets includes foreign exchange differences of £0.2 million and £0.5 million in Financial Year 2016 and Financial Year 2017, respectively.

(b) Pre-opening costs represents costs incurred prior to the opening of a new restaurant, including rent incurred prior to opening, wages of employees in training and food costs incurred for training of new employees.

(c) Corporate expenses represents fees paid to our principal shareholders and security agent together with professional fees incurred in respect of our financing structure.

# Mabel Mezzco Limited

# Annual report and financial statements

# for the period ended 23 April 2017

Registered number: 07556501

# Mabel Mezzco Limited

## Contents

# Mabel Mezzco Limited

## Officers and professional advisors

### Directors

P J Adams
E Bellquist
M H Collins
P L Taylor
J S Holbrook
N Taylor

### Registered Office

76 Wardour Street
London
W1F 0UR

### Independent auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

### Solicitors

Latham & Watkins LLP
99 Bishopsgate
London
EC2M 3XF

### Bankers

Santander UK Plc
Bridle Road
Bootle
L30 4GB

### Registered Number

07556501

# Mabel Mezzco Limited

## Strategic report
## for the period ended 23 April 2017

### Introduction

The directors present their Strategic report for the 52 week period ended 23 April 2017 (2016 - 52 weeks ended 24 April 2016).

The Company acts as an intermediate holding company for the Mabel Topco Group ("the Group"), which operates a chain of Japanese style noodle bars, trading in the UK through Wagamama Limited, and in the USA through Wagamama Inc. The UK business also operates as a franchisor of the brand in all territories in which Wagamama trades outside of the UK and USA.

The principal strategic objective is to maximise the value of the Wagamama brand, the main drivers of which are expansion of the owned estate in the UK and internationally, whilst continuing to focus on maintaining Wagamama's highly differentiated offering and its profitability.

### Business review and future developments

The trading results for the period and the Group's financial position at the end of the period are shown in the attached financial statements on pages 9 to 39. The directors have not recommended a dividend (2016: £nil).

The Group continued with its expansionary activities during the period, with 9 restaurants opened and 5 closed in the UK. By the end of the period, the Group's estate had grown to 124 restaurants in the UK and 4 in the USA as well as 44 restaurants operated under franchise agreements.

The Company has set up for growth and is expecting to open further managed restaurants in the UK and USA with additional franchise restaurants across the rest of the world.

### Key Performance Indicators (KPIs)

The directors consider the following to be key indications of the performance of the Group, both financial and non-financial. These KPIs include reference to both adjusted EBITDA and restaurant EBITDA which are non-GAAP performance measures. These are used for internal performance and investor reporting on the basis that these provide a clearer review of the trading results of the Group, excluding items considered to be one-off or non-trading income and expense. A reconciliation of these measures is provided in note 27 of these financial statements.

| | **Period ended 23 April 2017 £'000** | Period ended 24 April 2016 £'000 |
|---|---|---|
| **Turnover** | **266,109** | 229,864 |
| Operating profit | **22,200** | 16,660 |
| Earnings before interest, tax depreciation, amortisation, set-up costs and certain head-office costs ("adjusted EBITDA") | **45,477** | 38,711 |
| | **Number** | Number |
| Number of restaurants | **128** | 124 |
| Average number of employees | **5,077** | 4,483 |

Turnover grew by 16% and adjusted EBITDA by 17%. Restaurant EBITDA (being adjusted EBITDA before central costs) grew by 12%. Operating profit grew from £16,660,000 to £22,200,000 as a result of trading performance.

The directors see considerable potential for continuing expansion of the business, both in the UK and USA and will continue to follow the growth strategy.

# Mabel Mezzco Limited

## Strategic report
## for the period ended 23 April 2017 (continued)

**Principal risks and uncertainties**

*Brexit*

Brexit has brought new uncertainty to the UK market as a whole, which may well impact our underlying sales. We have fixed price contracts in place for most of our ingredient and distribution costs for at least the next financial period and in many cases beyond this. It is unclear at this stage what further impact Brexit will have on our labour availability, underlying costs, and our international costs and revenues.

Management is alert to and continuously reviewing all potential risks and formulating its responses at the appropriate time. The business is robustly financed and feels confident in its ability to identify opportunities and manage through the economic challenges.

*UK Economy*

As a consumer facing business, any risks to the UK economy as a whole and in particular to consumer spending could impact the overall performance of the Group. However the brand is relatively well positioned as a result of the overall affordability of the Wagamama offering. Significant food and wage inflation are also risk factors, although the business can to a certain extent offset inflationary pressures through moderate menu price increases.

**Financial risks**

*Foreign exchange risk*

The Group's principal operating segment relates to the UK restaurant business, however the growth of the Group's US restaurant business does expose the Group to an increased level of foreign exchange risk.

A significant proportion of this risk is mitigated by a natural hedge given that employees and suppliers of the US business are predominantly paid in US dollars from sales revenue generated in the USA, however the Group has used financial instruments to manage its remaining foreign exchange risk as part of an overall FX risk management strategy.

*Credit risk*

Trade receivables predominately arise from the Group's franchising business. The franchising business is immaterial to the Group's operations. Accordingly, the Group has no significant concentrations of credit risk. The Group has implemented policies that require appropriate credit checks on potential franchisees before sales are made.

Credit risk also arises on short-term bank deposits. Short-term bank deposits are executed only with A-rated authorised counter-parties based on ratings issued by the major rating agencies. Counter-party exposure positions are monitored regularly so that credit exposures to any one counter party are within predetermined limits. Overall, the Group considers that it is not exposed to a significant amount of credit risk.

*Liquidity risk*

The Group adopts a prudent approach to liquidity risk management, maintaining sufficient cash and short-term deposits and the availability of funding through an adequate amount of committed credit facilities. On the basis of the cash deposits held and ongoing cash generation through the Group's restaurant operations, the Group is able to fully meet all of its obligations as they fall due.

*Cash flow and fair value interest rate risk*

In 2015, the Group reorganised its finances and where previously it was financed through a mixture of bank borrowings and loan notes, it is now financed through a mixture of a high yield bond (coupon 7.875%) and loan notes thereby reducing its overall cost of debt. These borrowings are in Sterling at fixed interest rates. The Group is therefore able to plan and manage its interest commitments.

The Strategic report has been approved by the board and is signed on its behalf by

N Taylor
Director
20 June 2017

# Mabel Mezzco Limited

## Directors' report
## for the period ended 23 April 2017

The directors present their report and audited consolidated financial statements for the 52 week period ended 23 April 2017 (2016 - 52 weeks ended 24 April 2016).

**Business review and future developments**

We have included our business review and discussion of future developments in the Strategic report on page 2.

**Results and dividends**

The trading results for the period and the Group's financial position at the end of the period are shown in the attached financial statements on pages 9 to 39. The directors have not recommended a dividend (2016: £nil).

**The directors**

The directors who served the Company during the period and up to the date of signing were as follows:

P J Adams
E Bellquist
D Campbell (resigned 2 June 2017)
M H Collins
P L Taylor
J S Holbrook
N Taylor (appointed 17 May 2017)

**Employees**

The average number of employees and their remuneration is set out in note 5 of the financial statements.

The Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person. Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

During the period, the policy of providing employees with information about the Group has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the Group's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

**Financial risk management**

Please refer to the Strategic report on page 3 for further discussion on financial risk management.

# Directors' report
# for the period ended 23 April 2017 (continued)

### Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, Directors' report and the Group and Parent Company financial statements (the "financial statements") in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial 52 week period. Under that law the directors have prepared the Group and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

The directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Going concern

The financial statements have been prepared on a going concern basis as, after making appropriate enquiries and taking into account the strong trading performance of the underlying business and strong Group cash flow, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. In making this assessment the Directors have also taken into the consideration the repayment profile of the Group's debt (as set out in Note 19) with all debt falling due for repayment in more than two years but less than five years.

### Statement of disclosure of information to auditors

- As 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 they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The Directors' report has been approved by the board and is signed on its behalf by

N Taylor
Director
20 June 2017

Company registered number: 07556501

# Mabel Mezzco Limited

# Independent auditors' report to the members of Mabel Mezzco Limited

## Report on the financial statements

### Our opinion

In our opinion, Mabel Mezzco Limited's Group financial statements and Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 23 April 2017 and of the Group's profit and cash flows for the 52 week period (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.

### What we have audited

The financial statements, included within the Annual report and financial statements (the "Annual report"), comprise:

- the Group and Company balance sheet as at 23 April 2017;
- the Group profit and loss account and the Group statement of comprehensive income for the period then ended;
- the Group cash flow statement and the notes to the Group cash flow statement for the period then ended;
- the Group and Company statement of changes in equity for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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

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

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

In addition, in light of the knowledge and understanding of the Group, the Company and their environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic report and the Directors' report. We have nothing to report in this respect.

# Independent auditors' report to the members of Mabel Mezzco Limited (continued)

## Other matters on which we are required to report by exception

### Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

## Responsibilities for the financial statements and the audit

### Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 5, 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) ("ISAs (UK & 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.

### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

# Independent auditors' report to the members of Mabel Mezzco Limited (continued)

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic report and Directors' report, we consider whether those reports include the disclosures required by applicable legal requirements.

Julian Jenkins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
20 June 2017

# Group profit and loss account for the period ended 23 April 2017

| | Note | **Period ended 23 April 2017** | Period ended 24 April 2016 |
|---|---|---|---|
| | | **£'000** | £'000 |
| **Turnover** | 3 | **266,109** | 229,864 |
| Cost of sales | | **(150,747)** | (126,986) |
| **Gross profit** | | **115,362** | 102,878 |
| Administrative expenses before exceptional items | | **(93,809)** | (85,151) |
| Exceptional administrative expenses | 4 | **647** | (1,067) |
| Administrative expenses | | **(93,162)** | (86,218) |
| **Operating profit** | 4 | **22,200** | 16,660 |
| Interest receivable and similar income | 7 | **192** | 110 |
| Interest payable and similar charges | 8 | **(13,126)** | (13,139) |
| **Profit on ordinary activities before taxation** | | **9,266** | 3,631 |
| Tax on profit on ordinary activities | 9 | **(3,908)** | (1,009) |
| **Profit for the financial period** | 24 | **5,358** | 2,622 |

| | | | |
|---|---|---|---|
| **Profit for the financial period is attributable to:** | | | |
| Owners of the Parent | | **5,358** | 2,622 |
| | | **5,358** | 2,622 |

All of the activities of the Group are classed as continuing.

There are no material differences between the profit on ordinary activities before taxation and the profit for the period stated above and the historical cost equivalents.

The Company has taken advantage of section 408 of the Companies Act 2006 not to publish its own profit and loss account.

# Group statement of comprehensive income for the period ended 23 April 2017

| | | Period ended 23 April 2017 | Period ended 24 April 2016 |
|---|---|---|---|
| | | **£'000** | £'000 |
| Profit for the financial period | | **5,358** | 2,622 |
| **Other comprehensive income:** | | | |
| Foreign exchange differences arising on consolidation | 24 | **547** | 113 |
| **Total comprehensive income for the period** | | **5,905** | 2,735 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Parent | | **5,905** | 2,735 |
| | | **5,905** | 2,735 |

# Mabel Mezzco Limited

## Group balance sheet
## as at 23 April 2017

| | Note | **23 April 2017** | 24 April 2016 |
|---|---|---|---|
| | | **£'000** | £'000 |
| **Fixed assets** | | | |
| Intangible assets | 12 | **127,431** | 136,535 |
| Tangible assets | 14 | **100,225** | 79,427 |
| | | **227,656** | 215,962 |
| **Current assets** | | | |
| Stocks | 15 | **1,628** | 1,400 |
| Debtors | 16 | **10,184** | 7,707 |
| Cash at bank and in hand | | **33,979** | 35,472 |
| | | **45,791** | 44,579 |
| **Creditors: amounts falling due within one year** | 17 | **(53,216)** | (46,592) |
| **Net current liabilities** | | **(7,425)** | (2,013) |
| **Total assets less current liabilities** | | **220,231** | 213,949 |
| **Creditors: amounts falling due after more than one year** | 18 | **(146,932)** | (145,804) |
| | | **73,299** | 68,145 |
| **Provisions for liabilities** | 21 | **(5,449)** | (6,200) |
| **Net assets** | | **67,850** | 61,945 |
| **Capital and reserves** | | | |
| Called up share capital | 23 | **20,000** | 20,000 |
| Profit and loss account | 24 | **47,850** | 41,945 |
| **Total shareholders' funds** | | **67,850** | 61,945 |

The financial statements on pages 9 to 39 were approved by the board of directors on 20 June 2017 and signed on its behalf by:

N Taylor
Director

## Mabel Mezzco Limited

# Company balance sheet
# as at 23 April 2017

| | Note | **23 April 2017** | 24 April 2016 |
|---|---|---|---|
| | | **£'000** | £'000 |
| **Fixed assets** | | | |
| Investments | 13 | **123,137** | 123,137 |
| **Current assets** | | | |
| Debtors | 16 | **-** | - |
| | | **-** | - |
| **Creditors: amounts falling due within one year** | 17 | **-** | (24) |
| **Net current liabilities** | | **-** | (24) |
| **Total assets less current liabilities** | | **123,137** | 123,113 |
| **Net assets** | | **123,137** | 123,113 |
| **Capital and reserves** | | | |
| Called up share capital | 23 | **20,000** | 20,000 |
| Profit and loss account | 24 | **103,137** | 103,113 |
| **Total shareholders' funds** | | **123,137** | 123,113 |

The financial statements on pages 9 to 39 were approved by the board of directors on 20 June 2017 and signed on its behalf by:

N Taylor
Director

Company registered number: 07556501

## Mabel Mezzco Limited

# Group statement of changes in equity for the period ended 23 April 2017

| | Called up share capital | Profit and loss account | Total shareholders' funds |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| Balance as at 27 April 2015 | 20,000 | 39,210 | 59,210 |
| Profit for the financial period | - | 2,622 | 2,622 |
| Other comprehensive income for the period | - | 113 | 113 |
| **Total comprehensive expense for the period** | - | **2,735** | **2,735** |
| Dividends | - | - | - |
| **Total transactions with owners recognised directly in equity** | - | - | - |
| **Balance as at 24 April 2016** | **20,000** | **41,945** | **61,945** |

| | Called up share capital | Profit and loss account | Total shareholders' funds |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| Balance as at 25 April 2016 | **20,000** | **41,945** | **61,945** |
| Profit for the financial period | - | 5,358 | 5,358 |
| Other comprehensive income for the period | - | 547 | 547 |
| **Total comprehensive income for the period** | - | **5,905** | **5,905** |
| Dividends | - | - | - |
| **Total transactions with owners recognised directly in equity** | - | | - |
| **Balance as at 23 April 2017** | **20,000** | **47,850** | **67,850** |

## Mabel Mezzco Limited

# Company statement of changes in equity for the period ended 23 April 2017

| | Called up share capital | Profit and loss account | Total shareholders' funds |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| Balance as at 27 April 2015 | 20,000 | 103,083 | 123,083 |
| Profit for the financial period | - | 30 | 30 |
| Other comprehensive income for the period | - | - | - |
| **Total comprehensive income for the period** | **-** | **30** | **30** |
| Dividends | - | - | - |
| **Total transactions with owners recognised directly in equity** | **-** | **-** | **-** |
| **Balance as at 24 April 2016** | **20,000** | **103,113** | **123,113** |

| | Called up share capital | Profit and loss account | Total shareholders' funds |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| Balance as at 25 April 2016 | **20,000** | **103,113** | **123,113** |
| Profit for the financial period | **-** | **24** | **24** |
| Other comprehensive income for the period | **-** | **-** | **-** |
| **Total comprehensive income for the period** | **-** | **24** | **24** |
| Dividends | **-** | **-** | **-** |
| **Total transactions with owners recognised directly in equity** | **-** | **-** | **-** |
| **Balance as at 23 April 2017** | **20,000** | **103,137** | **123,137** |

# Mabel Mezzco Limited

## Group cash flow statement
## for the period ended 23 April 2017

| | Note | **Period ended 23 April 2017** | Period ended 24 April 2016 |
|---|---|---|---|
| | | **£'000** | £'000 |
| **Net cash inflow from operating activities** | (a) | **44,977** | 36,837 |
| Taxation | | **(2,509)** | (509) |
| **Net cash generated from operating activities** | | **42,468** | 36,328 |
| | | | |
| **Cash flow from investing activities** | | | |
| Interest received | | **192** | 110 |
| Payments to acquire tangible fixed assets | | **(32,119)** | (17,505) |
| **Net cash used in investing activities** | | **(31,927)** | (17,395) |
| | | | |
| **Cash flow from financing activities** | | | |
| Interest paid | | **(12,067)** | (12,126) |
| **Net cash used in financing activities** | | **(12,067)** | (12,126) |
| | | | |
| **Net (decrease)/increase in cash and cash equivalents** | | **(1,526)** | 6,807 |
| Cash and cash equivalents at the beginning of the period | | **35,472** | 28,666 |
| Exchange adjustments | | **33** | (1) |
| **Cash and cash equivalents at the end of the period** | | **33,979** | 35,472 |

The notes on pages 18 to 39 form part of these financial statements.

# Group cash flow statement
# for the period ended 23 April 2017 (continued)

| | **Period ended 23 April 2017** | Period ended 24 April 2016 |
|---|---|---|
| | £'000 | £'000 |
| **Cash and cash equivalents consists of:** | | |
| Cash at bank and in hand | **33,979** | 35,472 |
| **Cash and cash equivalents** | **33,979** | 35,472 |

# Notes to the Group cash flow statement
# for the period ended 23 April 2017

### (a) Reconciliation of operating profit to net cash inflow from operating activities

| | **Period ended 23 April 2017** | Period ended 24 April 2016 |
|---|---|---|
| | **£'000** | £'000 |
| Operating profit | **22,200** | 16,660 |
| Amortisation | **9,116** | 9,116 |
| Depreciation | **10,762** | 8,626 |
| Decrease in impairment provision | **1,244** | - |
| Loss on disposal of fixed assets | **498** | - |
| Increase in stocks | **(224)** | (359) |
| Increase in debtors | **(2,467)** | (1,143) |
| Increase in creditors | **5,100** | 4,416 |
| Decrease in provisions for onerous leases | **(1,252)** | (479) |
| **Net cash inflow from operating activities** | **44,977** | 36,837 |

# Notes to the Group cash flow statement for the period ended 23 April 2017 (continued)

**(b) Analysis of changes in net debt**

| | At 24 April 2016 | Cash flows | Other non-cash changes | At 23 April 2017 |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Net cash: | | | | |
| Cash at bank and in hand | 35,472 | (1,526) | 33 | **33,979** |
| Debt: | | | | |
| Debt due after 1 year | (145,804) | - | (1,128) | **(146,932)** |
| **Net debt** | (110,332) | (1,526) | (1,095) | **(112,953)** |

**(c) Non-cash changes**

| | **Period ended 23 April 2017** | Period ended 24 April 2016 |
|---|---|---|
| | **£'000** | £'000 |
| Currency translation | **33** | (1) |
| Amortisation of loan issue fees | **(1,128)** | (1,222) |
| Rolled up interest | **-** | - |
| | **(1,095)** | (1,223) |

# Mabel Mezzco Limited

# Notes to the financial statements for the period ended 23 April 2017

## 1 Accounting policies

**General information**

Mabel Mezzco Limited is a private company limited by shares and is incorporated and domiciled in the UK. The address of its registered office is 76 Wardour Street, London, W1F 0UR.

**Basis of accounting**

The financial statements have been prepared under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value, and in accordance with the United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" and the Companies Act 2006. The accounting policies have been consistently applied to all years presented, unless otherwise stated.

The financial statements are prepared for the period up to the Sunday closest to 30 April being 23 April 2017. The comparative numbers used in the financial statements are for the 52 week period ended 24 April 2016.

The financial statements have been prepared on a going concern basis. After making appropriate enquiries and taking into account the strong trading performance of the underlying business and strong Group cash flow, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least 12 months from the date when the financial statements were authorised for issue.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

The principal accounting policies are set out below.

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and all Group undertakings. Where a subsidiary has different accounting policies to the Group, adjustments are made to those subsidiary financial statements to conform to Group accounting policies.

Acquisitions are accounted for under the purchase method and goodwill on consolidation is capitalised and amortised over its expected useful life. The results of companies acquired or disposed of are included in the Group profit and loss account after or up to the date that control passes respectively.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

As a consolidated Group profit and loss account is published, a separate profit and loss account for the Parent Company is omitted from the Group financial statements by virtue of section 408 of the Companies Act 2006. The Company has further taken advantage of the exemption from preparing a cash flow statement, on the basis that it is a qualifying entity and the Group cash flow statement, included in these financial statements, includes the Company's cash flows.

**Related parties transactions**

The Company has taken advantage of the exemption provided by FRS 102 from disclosing transactions with Group companies on the basis that those companies are wholly owned and included in these consolidated financial statements.

## 1 Accounting policies (continued)

**Turnover**

a. Restaurant turnover

The turnover shown in the profit and loss account represents the value of goods and services provided during the period, stated net of value added tax. Turnover is recognised on completion of the transaction with the customer.

b. Franchise fees

Franchise fees comprise on-going royalties based on the sales results of the franchisee and up front initial site and territory fees. Royalty revenue is accrued in line with reported sales performance once revenue can be reliably measured. Up front initial site and territory fees are deferred and recognised on opening of the associated franchisee restaurant(s).

**Goodwill**

Purchased goodwill and that arising on consolidation is amortised through the profit and loss account over the directors' estimate of its useful life. If a subsidiary, associate or business is subsequently sold or closed, any goodwill arising on acquisition that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure.

The Group has elected not to apply the requirements of FRS 102 to business combinations occurring before the date of transition and no adjustment has been made to the carrying value of goodwill arising before that date.

**Amortisation**

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

| | | |
|---|---|---|
| Goodwill | – | up to 20 years |
| Trademarks / Licences | – | up to 20 years |

Where the Group is unable to make a reliable estimate of useful life, goodwill is amortised over a period not exceeding 5 years. Goodwill is assessed for impairment where there are indicators of impairment and any impairment is charged to the profit and loss.

**Tangible assets**

Tangible fixed assets are held at historical cost less accumulated depreciation. Historical cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

| | | |
|---|---|---|
| Leasehold property | – | over the period of the lease |
| Restaurant and office equipment | – | over 3 to 10 years |

The depreciation charge for the period is included within administrative expenses.

**Stocks**

Stocks are valued at the lower of cost and estimated selling price less cost to sell, after making due allowance for obsolete and slow moving items.

Cost is determined on the first-in, first-out method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the inventory to its present location and condition.

## 1 Accounting policies (continued)

**Operating lease agreements**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight-line basis over the period of the lease. Lease incentives are recognised on a straight line basis over the period of the lease.

The Group has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS 102 (28 April 2014) and continues to credit such lease incentives to the profit and loss account over the period to the first review date on which the rent is adjusted to market rates.

**Onerous leases**

Where EBITDA results of individual restaurants suggest potential for onerous lease charges, future expected cash flow performance in those individual restaurants is reviewed and discounted over the remaining life of the lease and compared to the discounted committed rent payments for the remainder of the lease. Where there is a deficit between cash flow and committed rent then the net cost is recorded as an onerous lease charge.

**Pension costs**

The Group makes payments into the personal defined contribution pension schemes of certain of its employees but does not operate any scheme itself.

**Deferred taxation**

Deferred taxation is provided on all timing differences, without discounting, calculated at the rate at which it is estimated that tax will be payable, except where otherwise required by accounting standards.

Deferred taxation assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

**Foreign currencies**

Assets and liabilities in foreign currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into Sterling at the rate of exchange ruling at the date of the transaction. All exchange differences are taken to the profit and loss account. Exchange differences arising from consolidation of foreign entities are recognised in other comprehensive income.

**Financial instruments**

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

*Financial assets*

Basic financial instruments, including trade and other receivables and cash and bank balances are initially recognised at transaction price and subsequently carried at amortised cost using the effective interest method.

*Financial liabilities*

Basic financial liabilities, including trade and other payables, loans from fellow Group companies and debt instruments are initially recognised at transaction price and subsequently carried at amortised cost using the effective interest method.

Derivatives are initially recognised at fair value and subsequently measured at fair value. Changes in the fair value of derivatives are recognised in profit and loss.

## 2 Key accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

*Impairment of assets and goodwill*

The Group considers whether its intangible assets, goodwill and tangible assets are impaired. Where an indication of impairment is identified, the determination of recoverable value requires estimation of future cash flows and selection of appropriate assumptions.

*Provisions*

Provision is made for onerous leases. These provisions require management's best estimate of the timing and value of future cash flows in order to determine the value of the provision required.

### 3 Turnover

The turnover and operating profit for the period was derived from the Group's principal continuing activity which was carried out primarily in the UK.

### 4 Operating profit

Operating profit is stated after charging:

| | | **Period ended 23 April 2017** | Period ended 24 April 2016 |
|---|---|---|---|
| | | **£'000** | £'000 |
| Amortisation | | **9,116** | 9,116 |
| Depreciation of owned fixed assets | | **10,762** | 8,626 |
| Auditors' remuneration | - as auditors | **77** | 64 |
| | - for taxation services | **203** | 177 |
| | - for other services – included in exceptional administrative expenses | **24** | 80 |
| Operating lease costs | | **21,718** | 18,380 |
| Loss on disposal of fixed assets | | **498** | - |
| Exceptional administrative (income)/expense | | **(647)** | 1,067 |

Of the auditors' remuneration as auditors, £4,000 (2016: £4,000) related to the audit of Mabel Mezzco Limited and the consolidation, and £73,000 (2016: £60,000) related to the audit of subsidiary companies.

For the period ended 23 April 2017, the exceptional administrative expenses incurred comprise of expenditure relating to infrastructure development in readiness for the Group's USA expansion (£568,000) offset by a release of onerous lease and impairment provisions relating to closed sites of £1,215,000.

For the period ended 24 April 2016, the exceptional administrative expenses incurred comprise of expenditure relating to infrastructure development in readiness for the Group's USA expansion.

## 5 Particulars of employees

The average monthly number of staff (including directors) employed by the Group during the financial period amounted to:

| | 23 April 2017 | 24 April 2016 |
|---|---|---|
| | **Number** | Number |
| **Number of staff - total** | **5,077** | 4,483 |
| Restaurants | **4,947** | 4,373 |
| Head Office | **130** | 110 |

The aggregate payroll costs of the above were:

| | Period ended 23 April 2017 | Period ended 24 April 2016 |
|---|---|---|
| | **£’000** | £’000 |
| Wages and salaries | **89,329** | 77,845 |
| Social security costs | **7,083** | 5,617 |
| Other pension costs | **742** | 663 |
| | **97,154** | 84,125 |

The Company has nil employees (2016: nil).

The Group contributes to the personal pensions schemes of certain of its employees. The pension cost charge represents contributions payable by the Group to the schemes and amounted to £742,000 (2016: £663,000).

# Notes to the financial statements for the period ended 23 April 2017 (continued)

## 6 Directors' emoluments

| | **Period ended 23 April 2017** | Period ended 24 April 2016 |
|---|---|---|
| | **£'000** | £'000 |
| Emoluments | **1,198** | 1,544 |
| Value of Company pension contributions to money purchase schemes | **78** | 96 |
| Compensation for loss of office | **-** | 252 |
| | **1,276** | 1,892 |

Emoluments of highest paid director:

| | **Period ended 23 April 2017** | Period ended 24 April 2016 |
|---|---|---|
| | **£'000** | £'000 |
| Total emoluments (excluding pension contributions) | **723** | 710 |
| Value of Company pension contributions to money purchase schemes | **47** | 43 |
| | **770** | 753 |

The number of directors to whom pension benefits are accruing at the period end is 2 (2016: 2).

No Directors (2016: none) received emoluments in respect of their services to the Company.

## 7 Interest receivable and similar income

| | **Period ended 23 April 2017** | Period ended 24 April 2016 |
|---|---|---|
| | **£'000** | £'000 |
| Bank interest receivable | **192** | 110 |

## 8 Interest payable and similar charges

| | **Period ended 23 April 2017** | Period ended 24 April 2016 |
|---|---|---|
| | **£'000** | £'000 |
| Interest payable on bank borrowing | **133** | 234 |
| Bond interest | **11,780** | 11,780 |
| Amortisation of loan fees | **1,128** | 1,125 |
| Foreign exchange loss on derivatives | **85** | - |
| **Interest and similar charges** | **13,126** | 13,139 |

The issue costs associated with financing are amortised over the life of the instruments in accordance with FRS 102.

## 9 Tax on profit on ordinary activities

(a) Analysis of charge in the period

| | **Period ended 23 April 2017** | Period ended 24 April 2016 |
|---|---|---|
| | **£'000** | £'000 |
| **Current tax:** | | |
| UK Corporation tax based on the results for the period at 19.94% (2016: 20%) | **3,406** | 1,103 |
| Overseas corporation tax | **-** | 9 |
| **Total current tax** | **3,406** | 1,112 |
| **Deferred tax:** | | |
| Origination and reversal of timing differences – current period | **165** | 186 |
| Origination and reversal of timing differences – prior period | **337** | (123) |
| Changes in tax rates and laws | **-** | (166) |
| **Total deferred tax** | **502** | (103) |
| **Tax on profit on ordinary activities** | **3,908** | 1,009 |

## 9 Tax on profit on ordinary activities (continued)

### (b) Factors affecting total tax charge

The tax assessed on the profit on ordinary activities before taxation for the period differs (2016: differs) from the standard rate of corporation tax in the UK of 19.94% (2016: 20%). The main rate of corporation tax was reduced from 20% to 19% from 1 April 2017 and reduces further to 17% from 1 April 2020.

| | **Period ended 23 April 2017** | Period ended 24 April 2016 |
|---|---|---|
| | **£'000** | £'000 |
| Profit on ordinary activities before taxation | **9,266** | 3,631 |
| Profit on ordinary activities multiplied by rate of tax 19.94% (2016: 20%) | **1,848** | 726 |
| Effects of: | | |
| Expenses not deductible for taxation purposes | **1,444** | 1,700 |
| Group relief claimed | **(802)** | (720) |
| Differences in tax rates | **(816)** | (432) |
| Tax losses not recognised | **1,897** | 1,018 |
| Re-measurement of deferred tax – change in UK tax rate | **-** | (166) |
| Adjustment to tax charge in respect of prior periods | **337** | (1,117) |
| Total tax (note 9(a)) | **3,908** | 1,009 |

The Group had unrecognised deferred tax assets of £6,342,000 (2016: £4,451,000) at the end of the period.

### (c) Factors affecting future tax charges

No provision has been made for a deferred tax asset on the basis that there is insufficient evidence that the asset will be recoverable in the foreseeable future.

## 10 Profit attributable to members of the Parent Company

The profit for the financial period dealt with in the financial statements of the Parent Company was £24,452 (2016: £29,836).

## 11 Dividends

No dividends have been proposed or paid in respect of the period (2016: £nil).

# Notes to the financial statements
# for the period ended 23 April 2017 (continued)

## 12 Intangible assets

| Group | Goodwill | Trademarks | Total |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| **Cost** | | | |
| As at 25 April 2016 | 181,989 | 228 | 182,217 |
| Additions | - | 12 | 12 |
| Disposals | - | (58) | (58) |
| **As at 23 April 2017** | **181,989** | **182** | **182,171** |
| **Accumulated amortisation** | | | |
| At 25 April 2016 | 45,595 | 87 | 45,682 |
| Disposals | - | (58) | (58) |
| Charge for the period | 9,099 | 17 | 9,116 |
| **At 23 April 2017** | **54,694** | **46** | **54,740** |
| **Net book value** | | | |
| **At 23 April 2017** | **127,295** | **136** | **127,431** |
| At 24 April 2016 | 136,394 | 141 | 136,535 |

## 13 Investments

| Company | Group companies |
|---|---|
| | £'000 |
| **Cost** | |
| At 25 April 2016 | 123,137 |
| **At 23 April 2017** | **123,137** |
| **Net book value** | |
| **At 23 April 2017** | **123,137** |
| At 24 April 2016 | 123,137 |

# Notes to the financial statements
# for the period ended 23 April 2017 (continued)

## 13 Investments (continued)

The Company owns 100% of the issued share capital of the companies listed below:

| | **Location** | **Nature of business** |
|---|---|---|
| Mabel Bidco Limited | England and Wales | Holding company |
| Wagamama Finance Plc * | England and Wales | Holding company |
| Ramen USA Limited* | England and Wales | Holding company |
| Wagamama USA Holdings, Inc* | Delaware, USA | Holding company |
| Wagamama, Inc* | Delaware, USA | Restaurant chain |
| Wagamama USA 2015 LLC* | Delaware, USA | Restaurant chain |
| Wagamama NY 210 5th LLC* | Delaware, USA | Lease company |
| Wagamama NY 55 3rd LLC* | Delaware, USA | Lease company |
| Wagamama NY 1011 3rd LLC* | Delaware, USA | Lease company |
| Boston One LLC* | Delaware, USA | Licence company |
| Wagamama Group Limited* | England and Wales | Holding company |
| Wagamama Limited* | England and Wales | Restaurant chain |
| Wagamama International (Franchising) Limited* | England and Wales | Franchise company |
| Wagamama CPU Limited* | England and Wales | Food production company |

* Indirectly owned

The Directors consider the value of the investments to be supported by their underlying assets.

## 14 Tangible assets

| Group | Leasehold property | Restaurant and office equipment | Total |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| **Cost** | | | |
| At 25 April 2016 | 83,431 | 29,959 | 113,390 |
| Additions | 20,118 | 11,866 | 31,984 |
| Disposals | (1,245) | (2,851) | (4,096) |
| Foreign exchange difference | 790 | 237 | 1,027 |
| **At 23 April 2017** | **103,094** | **39,211** | **142,305** |
| **Accumulated depreciation** | | | |
| At 25 April 2016 | 22,765 | 11,198 | 33,963 |
| Charge for the period | 5,413 | 5,349 | 10,762 |
| Disposals | (1,235) | (2,363) | (3,598) |
| Foreign exchange difference | 749 | 204 | 953 |
| **At 23 April 2017** | **27,692** | **14,388** | **42,080** |
| **Net book value** | | | |
| **At 24 April 2017** | **75,401** | **24,822** | **100,225** |
| At 24 April 2016 | 60,666 | 18,761 | 79,427 |

The Company held no fixed assets.

## 15 Stocks

| | 23 April 2017 | | 24 April 2016 | |
|---|---|---|---|---|
| | **Group** | **Company** | Group | Company |
| | **£'000** | **£'000** | £'000 | £'000 |
| Food and other consumables | **1,311** | - | 1,178 | - |
| Merchandising | **317** | - | 222 | - |
| | **1,628** | - | 1,400 | - |

The amount of inventories recognised as an expense during the period was £46,752,000 (2016: £41,235,000)

There is no significant difference between the replacement cost of the inventory and its carrying amount.

## 16 Debtors

| | 23 April 2017 | | 24 April 2016 | |
|---|---|---|---|---|
| | **Group** | **Company** | Group | Company |
| | **£'000** | **£'000** | £'000 | £'000 |
| Trade debtors | **1,920** | **-** | 1,892 | - |
| Prepayments | **6,800** | **-** | 4,562 | - |
| Other debtors | **1,464** | **-** | 1,253 | - |
| | **10,184** | **-** | 7,707 | - |

Group other debtors and prepayments includes rental deposits of £63,000 (2016: £63,000) which are receivable in more than one year.

## Notes to the financial statements for the period ended 23 April 2017 (continued)

### 17 Creditors: amounts falling due within one year

| | 23 April 2017 | | 24 April 2016 | |
|---|---|---|---|---|
| | **Group** | **Company** | Group | Company |
| | **£'000** | **£'000** | £'000 | £'000 |
| Trade creditors | **16,561** | **-** | 12,727 | - |
| Amounts owed to Group undertakings | **449** | **-** | 621 | - |
| Other taxation and social security | **8,053** | **-** | 7,632 | - |
| Corporation tax | **3,127** | **-** | 2,229 | - |
| Other creditors | **5,310** | **-** | 4,606 | - |
| Accruals and deferred income | **19,716** | **-** | 18,777 | 24 |
| | **53,216** | **-** | 46,592 | 24 |

Interest is charged on amounts due to Group undertakings at a rate of 2.5% (2016: 2.5%) per annum.

### 18 Creditors: amounts falling due after more than one year

| | 23 April 2017 | | 24 April 2016 | |
|---|---|---|---|---|
| | **Group** | **Company** | Group | Company |
| | **£'000** | **£'000** | £'000 | £'000 |
| Bond | **146,932** | **-** | 145,804 | - |
| | **146,932** | **-** | 145,804 | - |

The bond is shown net of unamortised loan issue costs of £3,068,000 (2016: £4,196,000).

## 19 Creditors - capital instruments

Creditors include finance capital which is due for repayment as follows:

| | **23 April 2017** | | 24 April 2016 | |
|---|---|---|---|---|
| | **Group** | **Company** | Group | Company |
| | **£'000** | **£'000** | £'000 | £'000 |
| Amounts repayable: | | | | |
| In one year or less or on demand | **-** | - | - | - |
| In more than one year but not more than two years | **-** | - | - | - |
| In more than two years but not more than five years | **150,000** | - | 150,000 | - |
| In more than five years | **-** | - | - | - |
| | **150,000** | - | 150,000 | - |
| Unamortised loan issue expenses | **(3,068)** | - | (4,196) | - |
| | **146,932** | - | 145,804 | - |

The issue costs associated with the loans are amortised over the life of the loans in accordance with FRS 102.

In January 2015, the Group re-financed and raised £150,000,000 in a high yield bond. At the same time, the Group repaid its bank debt and secured loan notes.

Interest on the bond financing is at 7.875% and is payable semi-annually. At the period end the Group had an undrawn revolver facility of £15,000,000 (2016: £15,000,000). The revolver facility expires in July 2019 with an interest rate of Libor +2.5% for any drawn amounts and commitment fee of Libor + 35% of drawn margin for undrawn amounts.

## 20 Financial Instruments

Mabel Mezzco Group funds its operations through finance raised by the issue of a high yield bond, listed on the Luxembourg Stock Exchange. At 23 April 2017, £150,000,000 of the high yield bond was due for repayment in more than 2 years but less than 5 years (on 28 January 2020). The Group has not elected to designate the high yield bond at fair value through profit and loss.

The Group and Company have the following financial instruments:

| | **23 April 2017** | | 24 April 2016 | |
|---|---|---|---|---|
| | **Group** | **Company** | Group | Company |
| | **£'000** | **£'000** | £'000 | £'000 |
| Financial assets at fair value through profit and loss | **-** | - | - | - |
| Financial assets that are debt instruments measured at amortised cost | | | | |
| - Trade receivables | **1,920** | - | 1,892 | - |
| - Other receivables | **1,464** | - | 1,253 | - |
| Financial liabilities measured at fair value through profit and loss | **-** | - | - | - |
| - Derivative financial instruments | **279** | - | - | - |
| Financial liabilities measured at amortised cost | | | | |
| - Bond | **146,932** | - | 145,804 | - |
| - Loan notes | **-** | - | - | - |
| - Trade creditors | **16,561** | - | 12,727 | - |
| - Accruals | **19,716** | - | 18,777 | 24 |
| - Other creditors | **5,031** | - | 4,606 | - |
| - Amounts owed to Group undertakings | **449** | - | 621 | - |

## 21 Provisions for liabilities

| | Onerous Lease £'000 | Deferred Tax £'000 | Total £'000 |
|---|---|---|---|
| As at 25 April 2016 | 2,370 | 3,830 | 6,200 |
| Additions dealt with in profit and loss | 571 | 502 | 1,073 |
| Utilised during the period | (583) | - | (583) |
| Unused amounts reversed to the profit and loss | (1,446) | - | (1,446) |
| Foreign exchange translation adjustment | 205 | - | 205 |
| **As at 23 April 2017** | **1,117** | **4,332** | **5,449** |

**Onerous leases**

Where EBITDA results of individual restaurants suggest potential for onerous lease charges, future expected cash flow performance in those individual restaurants is reviewed and discounted over the remaining life of the lease and compared to the discounted committed rent payments for the remainder of the lease. Where there is a deficit between cash flow and committed rent then the net cost is recorded as an onerous lease charge.

**Deferred taxation**

The movement in the deferred taxation provision during the period was:

| | **23 April 2017** | | 24 April 2016 | |
|---|---|---|---|---|
| | **Group** | **Company** | Group | Company |
| | **£'000** | **£'000** | £'000 | £'000 |
| Provision brought forward | **3,830** | - | 3,933 | - |
| Movement in provision – current period | **165** | - | 186 | - |
| Movement in provision – prior period | **337** | - | (123) | - |
| Changes in tax rates and laws | **-** | - | (166) | - |
| Provision carried forward | **4,332** | - | 3,830 | - |

The deferred tax provision represents capital allowances received in excess of depreciation

The Group had unrecognised deferred tax assets of £6,342,000 (2016: £4,451,000) at the end of the period. No provision has been made for a deferred tax asset on the basis that there is insufficient evidence that the asset will be recoverable in the foreseeable future.

# Notes to the financial statements for the period ended 23 April 2017 (continued)

## 22 Commitments under operating leases

The Group has the following future minimum lease payments under non-cancellable operating leases:

| Group | Land and buildings | |
|---|---|---|
| | **23 April 2017** | 24 April 2016 |
| | **£'000** | £'000 |
| Payments due: | | |
| Not later than one year | **22,040** | 18,473 |
| Later than one year and not later than five years | **65,828** | 52,821 |
| Later than five years | **223,772** | 174,578 |
| | **311,640** | **245,872** |

At the period end the Group had £nil capital commitments (2016: £nil).

## 23 Called up share capital

| | **23 April 2017** | 24 April 2016 |
|---|---|---|
| | **£'000** | £'000 |
| Allotted, called up and fully paid: | | |
| 20,000,001 (2016: 20,000,001) Ordinary shares of £1 each | **20,000** | 20,000 |

## 24 Reserves

| **Group** | **Profit and loss account** |
|---|---|
| | **£'000** |
| At 24 April 2016 | 41,945 |
| Foreign currency translation gain | 547 |
| Profit for the financial period | 5,358 |
| **Balance carried forward** | **47,850** |

## 24 Reserves (continued)

| **Company** | **Profit and loss account** |
|---|---|
| | **£'000** |
| At 24 April 2016 | 103,113 |
| Profit for the financial period | 24 |
| **Balance carried forward** | **103,137** |

## 25 Guarantees and other commitments

Bank loans and other loans in the books of Group companies are secured over the assets of the Group. The amounts of these loans outstanding at the balance sheet date were as follows:

| **Company** | **23 April 2017** |
|---|---|
| | **£'000** |
| Wagamama Finance Plc | 150,000 |

## 26 Related parties

The Company is also exempt under the terms of FRS 102 from disclosing related party transactions with entities that are part of the Mabel Mezzco Limited Group.

During the period, transactions with Duke Street LLP and Hutton Collins LLP, related parties not wholly within the Group, amounted to £90,000 (2016: £90,000). The transactions were for the provision of services to the Group by non-executive board members and were carried out on an arm's length basis. The value of services provided in the period was £30,000 (2016: £30,000) and £60,000 (2016: £60,000) respectively. There were no balances outstanding at 23 April 2017 (2016: nil).

## 27 Reconciliation of non-GAAP measures

Statutory operating profit as presented in the Group profit and loss account on page 9 is reconciled to the non-GAAP measures presented in the Strategic report shown on page 2 following certain adjustments:

| | **Period ended 23 April 2017** | Period ended 24 April 2016 |
|---|---|---|
| | **£'000** | £'000 |
| **Statutory operating profit** | **22,200** | 16,660 |
| Depreciation | **11,212** | 8,847 |
| Amortisation | **9,116** | 9,116 |
| Loss on disposal of fixed assets | **498** | - |
| Exceptional administrative (income)/expense | **(647)** | 1,067 |
| Pre-opening costs | **2,967** | 2,709 |
| Corporate expenses | **131** | 312 |
| **Adjusted EBITDA** | **45,477** | 38,711 |
| Head office overhead costs | **16,156** | 15,587 |
| Net franchise income | **(1,396)** | (754) |
| **Restaurant EBITDA** | **60,237** | 53,544 |

Pre-opening costs represents costs incurred prior to the opening of a new restaurant, including rent incurred prior to opening, wages of employees in training and food costs incurred for training of new employees.

Corporate expenses represents fees paid to our principal shareholders and security agent together with professional fees incurred in respect of our financing structure.

Head office overhead costs represent the costs associated with our head office premises and the operation our business support functions, such as finance, marketing and human resources, including staff costs.

Net franchise income represents the royalty, initial site and territory fees generated from our franchise business offset by the costs of supporting franchisees, including staff and travel costs.

## 28 Subsequent events

Subsequent to the period end date, David Campbell stepped down from the CEO role and resigned from the Board on 2 June 2017. As a result of this, an amount of one year's salary is owed to him under his contract of employment.

## 29 Ultimate parent undertaking

The Company's immediate parent company is Mabel Midco Limited.

These consolidated financial statements are the smallest group in which Mabel Mezzco Limited and its subsidiaries are consolidated.

The Group, which is the largest group in which the Company is consolidated, headed by Mabel Topco Limited publishes consolidated financial statements which incorporate the results of the Company and which are available from Companies House.

The Directors consider that there is no one ultimate controlling party of the Group.

A copy of these financial statements can be obtained through Companies House or by written request to Company at the following address: The Secretary, 76 Wardour Street, London, W1F 0UR. Bondholders who have registered with the Company's website may download a copy from the investor section of the Company's website.