Company number: 09278104

Prezzo Holdings Limited

Annual Report and Financial Statements
for the 52 weeks ended 30 December 2018

Prezzo Holdings Limited

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Prezzo Holdings Limited

Directors and advisors

Directors
Karen Jones
Michael Comish
Dirk Eller
Christopher Howell
D S Haimes

Registered Office
Johnston House
8 Johnston Road
Woodford Green
Essex
IG8 0XA

Company Number
09278104

Independent auditors
PricewaterhouseCoopers LLP
The Portland Building
25 High Street
Crawley
RH10 1BG

Prezzo Holdings Limited

Strategic Report
For the 52 weeks ended 30 December 2018

The Directors present their Strategic Report for Prezzo Holdings Limited (the "Company") and its subsidiaries (together "the Group") for the 52 weeks ended 30 December 2018 (2017: 52 weeks ended 31 December 2017).

Principal activity

The Company is a UK parent company. The results of all of the Company's subsidiaries (the "Group") are consolidated in these financial statements. The Company's subsidiary undertakings comprise the UK Trading entity, Prezzo Limited, and the Republic of Ireland trading entity, Prezzo Restaurants Ireland Limited (which ceased trading during the period). The Group's principal activity is the operation of restaurants positioned in the smart but affordable segment of the UK casual dining market.

Business review

In the 52 week period ended 30 December 2018 the casual dining sector experienced a number of ongoing challenges including a decline in consumer confidence coupled with mounting margin pressures from significant increases to rents, business rates and labour costs. In addition to the extreme weather conditions experienced in 2018, the casual dining sector was further adversely impacted by the World Cup. The effect on a number of casual dining operators has been well documented with the sector undergoing a great deal of structural change throughout the year.

As a result of the impact of these challenges on the business, Prezzo launched a Company Voluntary Arrangement ("CVA") in February 2018 which was formally approved by 88% of creditors on 23 March 2018. Prezzo was able to close its non-core loss making restaurants and exit the Group's Chimichanga, Caffe Uno, Cleaver and MEXIco brands. The Group also completed the sale of its one restaurant in the Republic of Ireland, the trading site of Prezzo Restaurants Ireland Limited, in October 2018.

A total of 109 restaurants were closed during the year, leaving the Group with a profitable portfolio of 185 Prezzo restaurants.

Prezzo's trading performance was significantly impacted by these events which, in addition to the disruption caused by the restructuring of the estate, were a source of considerable distraction from the core business for the management team. Revenues decreased to £157.8m (2017: £212.6m) and Operating Profit excluding non-trading items reduced to a loss of £6.7m (2017: £7.0m profit). Operating loss of £39.7m was impacted by £32.9m of exceptional/one-off items, including the non-cash accounting write down of property, plant & equipment and intangibles of £8.5m.

In June 2018, the Board appointed Karen Jones CBE as Executive Chairman, adding significant turnaround, operational and sector expertise to the Group for the delivery of its transformation plan.

A key strategic priority was to stabilise the Group's financial position and in August 2018, the secured lenders and owners (the "Investor Group") concluded negotiations around the Group's capital structure at Prezzo Holdings Limited. A debt for equity swap was undertaken, resulting in the reduction of overall gross debt from £155m to a manageable £53m reflecting the collective belief in the brand and confidence in management.

Following implementation of the CVA, Karen's appointment and the financial restructuring, management completed an overhaul of Prezzo's long term strategic focus and direction. As a result, the Group's Strategic Business Plan (the "Plan"), identifying near term and medium term actions and objectives, was finalised late 2018. 2019 is the first year of implementation of the Plan.

Strategic Report
For the 52 weeks ended 30 December 2018

Prezzo's main focus is to ensure that every customer leaves wanting to return, and this will be achieved across four strategic pillars:

- People
- Food and Drink
- Environment
- Customer and Brand

The Board and Investor Group are aligned and fully engaged, meeting monthly. At the end of 2018 the Investor Group agreed to the following in support of the Plan:

- £5m restaurant refurbishment programme covering up to 50% of the estate funded by an equal contribution of working capital and shareholder loans, of which £3m will be invested during 2019
- £3m investment in restaurant technology, repairs and maintenance capex during 2019
- The deferral of interest payments on all debt facilities, that would otherwise fall due during 2019

The Group completed 14 restaurant site refurbishments during 2018, aligned to its Environment strategic pillar.

The Group has continued to make to progress in the ongoing rejuvenation of the Prezzo brand and creating a better quality and more distinct customer proposition that differentiates it from its peers. It has continued to execute its refurbishment programme and has a dedicated team in place, supported by a robust site selection and spend review committee, to maximise the returns on the investments. The programme is being funded by £2.5m of shareholder loans and £2.5m of the Group's working capital.

The results of the refurbishment programme so far have been impressive, with the portfolio of refurbished restaurants performing ahead of the investment case and ahead of the uninvested sites throughout 2019, with solid like-for-like growth from April 2019.

Net promoter scores ("NPS") for the invested sites have also outperformed the remainder of estate averages since March 2019. This reflects the positive impact of the comprehensive customer focused training completed during down time associated with the refurbishments, which, in turn, increases the likelihood of customer return visits.

Key performance indicators

The key performance indicators ('KPIs') used by management to monitor and measure performance are as follows:

- Total sales growth (%);
- Like for like ("LFL") sales growth (%)
- Gross profit margin (%)
- Return on investment (%) and
- Adjusted EBITDA

A reconciliation back to adjusted EBITDA is as follows:

	2018 £'000	2017 £'000
Operating (loss)/profit excluding non-trading items	**(6,714)**	7,037
Depreciation (non-cash)	**7,420**	9,675
Loss on disposal (non-cash)	**1,954**	2,206
Pre-opening costs	**150**	305
Monitoring fees (non-cash)	**745**	205
Shareholder Management fees (non-cash)	**586**	714
Adjusted EBITDA	**4,141**	20,142

In addition, the Group also uses a number of non-financial KPIs to measure our progress and success in other areas of the business. Key amongst these is the assiduous monitoring of guest feedback collected through a number of channels, both internally and externally, to ensure that we are driving customer satisfaction and return visits.

Events since the period end

In support of the Plan, the Investor Group formally agreed in May 2019 to the deferral of all interest payments falling due under the debt facilities during 2019, the first interest payments now due June 2020. The Investor Group also removed all leverage ratio covenant tests during 2019 and during the first three quarters of 2020, the first leverage ratio test being December 2020.

The Group was pleased to conclude the legal formalities of the CVA earlier than anticipated, with official exit from the CVA on 21 February 2019. This early conclusion has provided the Group with increased scope for improved working capital from enhanced credit ratings and supplier terms during 2019 and beyond.

Strategic Business Plan – Ongoing Progress

The Group has a clear strategy in place, focused entirely around customers and serving them better. The sector remains challenging, with the headwinds from 2018 continuing into 2019. Notwithstanding, Prezzo is making good progress against its objectives as part of its Strategic Business Plan for 2019.

Prezzo has an engaged team of capable people across the business, aligned to deliver its objectives. Our laser focus on People, Food and Drink, the Environment, and Customer and Brand is to ensure that every customer leaves wanting to return. Prezzo's People underpin that goal and the attraction and retention of great people is key to ensuring that customers enjoy the best possible experience every time they visit. The attention to each customer's experience is reflected in the ongoing improvement of guest metrics, as measured by NPS, Trip Advisor and social media.

Prezzo's focus for 2019 and beyond is to ensure that hospitality is at the heart of the business by continuing to invest in an appealing, trusted, quality and distinctive customer proposition that keeps our customers coming back.

Principal risks and uncertainties

The following are judged to be the principal risks affecting the Group's operations, but it should be noted that this is not an exhaustive list and the Group has policies and procedures in place to address other areas of risk facing the business.

Strategic Report
For the 52 weeks ended 30 December 2018

UK macro-economy and competition in the UK casual dining market

Consumer confidence levels, disposable income of customers and their leisure activity are affected by changes in the general economic environment and we expect this to continue to be challenging in 2019. Prezzo regularly reviews its product offering and engages with customers to ensure it provides an attractive value for money offering and meets customer needs.

Market and regulatory cost pressure

The introduction of the UK National Living Wage from April 2016 continues to drive labour costs and we expect this to be ahead of price inflation for the foreseeable future. Brexit continues to create uncertainty in the supply chain and there were pressures on food input costs during summer 2018 due to a poor harvest. We have sought to mitigate these costs through increase focus on labour productivity and supply chain efficiencies.

Employee recruitment and retention

We regularly review our employment policies and benchmark remuneration against the market. We are also committed to providing high quality training and development programmes. Prezzo relies heavily on team members from the European Union and a tightening labour market pre and post Brexit is a significant risk to the business.

Quality control and health & safety

We have a comprehensive system of policies and procedures in place to ensure compliance with all relevant legislation and best practice, with a dedicated Health and Safety team who are responsible for maintaining the highest standards.

Reputation

We aim to deliver to the highest standards of guest experience and recognise that this encompasses not only providing quality food and drinks in attractive surroundings, but efficient and attentive service. We continue to invest in our dedicated guest services team and infrastructure, monitoring customer service levels across all our restaurants with the aspiration to drive continuous improvement.

Supply chain

Ensuring we have a robust supply of food, drink and services to our restaurants is key and we comply with legislation on food standards and allergens to ensure the safety of our customers. To achieve this we have a dedicated team of food technician and supply chain professionals, who monitor supplier performance against service level agreements.

By order of the Board

Karen Jones
Director
Date: 26th September 2019

Directors' report (continued)
For the 52 weeks ended 30 December 2018

The Directors present their report together with the audited consolidated financial statements for the 52 weeks ended 30 December 2018 (2017: 52 weeks ended 31 December 2017).

Principal activities

The Group's principal activity is the operation of restaurants positioned in the smart but affordable segment of the UK and Republic of Ireland casual dining market.

Results and dividends

The Consolidated Statement of Comprehensive Income shows the loss for the financial period of £52.2m (52 weeks ended 31 December 2017: loss of £232.7m).

The directors do not recommend the payment of a dividend (52 weeks ended 31 December 2017 - £nil).

Future developments

An indication of future developments is included in the Strategic Report on page 3.

Directors

The directors of the Company during the period and through to the date of approving this report, unless otherwise stated, were:

D Eller
M Comish (Appointed 30 January 2018)
K Jones (Appointed 12 May 2018)
J Hendry Pickup (Resigned 12 May 2018)
C Howell (Appointed 15 October 2018)
P James (Appointed 30 January 2018, Resigned 1 July 2019)
W Arthur (Appointed 20 January 2018, Resigned 11 January 2019)
D S Haimes (Appointed 3 May 2019)

Financial risk management

During the period the Group was exposed to interest rate risk only in so far as changes in base rates affect the amount of interest it earned on its financial assets. Further information on financial instruments and the risks facing the business is contained in note 30 to the financial statements. There is no significant credit or forex risk.

Employee engagement

People are at the heart of everything we do, with passion and attention focused on giving our guests the best possible experience; we believe that the same should apply to our staff. We nurture talent and reward excellence at work every step of the way.

Applications from disabled persons are given full consideration providing the disability does not seriously affect the performance of their duties. Such persons, once employed, are given appropriate training and equal opportunities. Continued employment and retraining is available to any employee who becomes disabled whilst employed by the Group.

The Group takes a positive view of employee communication and has established systems for keeping employees informed of developments and also for regular consultation.

Directors' report (continued)
For the 52 weeks ended 30 December 2018

Going concern

Following a difficult period of trading in 2017 and the start of 2018 the Group undertook both a Company Voluntary Agreement (CVA) process with its landlords and a refinancing of its debt facilities with its lenders during the year. Both processes were successfully completed. The CVA resulted in the closure of 109 branches, including non-core chains, and by 30 December 2018 the Group had 185 restaurants all operating under the Prezzo brand. The refinancing of the Group's debt included a debt for equity swap, and following the successful completion of the transaction, total debt has decreased from £155m to £53m. Subsequent to the refinancing, the shareholders made a further investment of £2.5m to drive the site refurbishment programme, agreed to defer interest payments of £3.9m to June 2020, and waive all covenants on the debt to December 2020.

The directors believe that the successful completion of the CVA and the refinancing have put the business in a strong position and are confident of a return to future growth in sales and profitability.

In concluding on the Going Concern status, the directors have produced detailed cash flow forecasts through to December 2020. The forecasts include like for like (LFL) sales growth in 2019 and 2020, and achievable improvements in both margins and working capital. Based on these forecasts, the Group has significant cash headroom throughout the period to December 2020.

During 2019 to date, notable progress has been made across a number of initiatives which improve margins and working capital. Performance to date in 2019, although behind plan, shows margins in line with the detailed cash flow forecasts and working capital improvements ahead of plan. In light of the well-documented challenges to the casual dining sector, we have performed downside sensitivities to the cash forecasts for the period to December 2020 to reflect the sector risk of LFL sales deterioration. Based on such a downside scenario, with the progress achieved to date on margins and working capital improvement, and further mitigating actions that the directors have identified can be taken if required (including the deferral of investment capital expenditure in 2020 and deferral or cancellation of certain planned internal events), we continue to be satisfied that the Group has sufficient funds to meet its liabilities as they fall due for the period to 31 December 2020. Accordingly, we have concluded that the Going Concern basis for preparation of the accounts is appropriate.

Directors' indemnity

Qualifying third party indemnity provisions as defined by the Companies Act 2006 were in force for the benefit of Directors throughout the period and up to the date of approval of the financial statements.

Directors' report (continued)
For the 52 weeks ended 30 December 2018

Directors' responsibilities statement

The Directors are responsible for preparing the Annual report and the consolidated financial statements in accordance with applicable law and regulation.

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 International Financial Reporting Standards ("IFRSs") as adopted by the European Union. 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 the cash flows 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 IFRSs as adopted by the European Union 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's 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.

Statement of disclosure to auditor

In accordance with Section 418 of the Companies Act 2006, each director in office at the date the Directors' Report is approved, confirms that:

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

Independent auditors

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board

Karen Jones
Director
Date 26th September 2019

Independent Auditors' Report to the members of Prezzo Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion, Prezzo Holdings 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 30 December 2018 and of the group's loss and the group's and the company's cash flows for the 52 week period (the "period") then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Consolidated Statement of Financial Position and Company Statement of Financial Position as at 30 December 2018; the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and Company Statement of Cash Flows for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

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

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Independent Auditors' Report to the members of Prezzo Holdings Limited

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' report for the period ended 30 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

Other required reporting

Companies Act 2006 exception reporting

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
- certain disclosures of directors' remuneration specified by law are not made; 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.

Matthew Hall

Matthew Hall (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Gatwick
26 September 2019

Prezzo Holdings Limited

Consolidated Statement of Comprehensive Income

For the 52 weeks ended 30 December 2018

	Notes	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
Revenue	4	**157,826**	212,568
Cost of sales	5	**(149,812)**	(191,449)
Gross profit		**8,014**	21,119
Administrative expenses		**(47,704)**	(275,983)
Operating (loss)/profit excluding non-trading items		**(6,714)**	7,037
Non-trading items	8	**(32,976)**	(261,901)
Operating loss	9	**(39,690)**	(254,864)
Finance income		**40**	44
Finance expense	10	**(9,285)**	(10,530)
Loss before income tax		**(48,935)**	(265,350)
Income tax (charge)/credit	11	**(3,254)**	32,611
Loss for the period		**(52,189)**	(232,739)
Other comprehensive expense:			
Items that may be subsequently reclassified to profit or loss			
Cash flow hedges		**1,149**	1,234
Deferred tax charge on cash flow hedge		**(234)**	(238)
Other comprehensive expense for the period, net of tax		**915**	996
Total comprehensive expense for the period		**(51,274)**	(231,743)

Loss for the period and total comprehensive expense for the period are entirely attributable to the owners of the Company.

Prezzo Holdings Limited

Consolidated Statement of Financial Position
As at 30 December 2018

	Notes	30 December 2018 £'000	31 December 2017 £'000
Non-current assets			
Intangible assets	12	27,054	27,054
Property, plant and equipment	14	34,126	44,798
Prepaid operating leases	15	1,277	2,241
		62,457	74,093
Current assets			
Inventories	16	1,586	5,384
Prepaid operating leases	15	3,387	6,042
Trade and other receivables	17	5,128	8,329
Current tax receivables		522	1,987
Cash and cash equivalents	18	8,615	37,091
		19,238	58,833
Total assets		81,695	132,926
Equity attributable to owners of the parent			
Share capital	24	187,941	83,619
Other reserves	25	(100)	(1,015)
Retained earnings	25	(198,482)	(146,293)
Total equity		(10,641)	(63,689)
Current liabilities			
Trade and other payables	19	26,396	32,734
Borrowings	20	-	151,422
Provisions	23	1,516	4,554
Financial instruments	22	100	1,249
		28,012	189,959
Non-current liabilities			
Borrowings	20	53,060	-
Provisions	23	1,677	-
Accruals	19	5,093	5,856
Deferred tax liabilities	21	4,494	800
		64,324	6,656
Total liabilities		92,336	196,615
Total equity and liabilities		81,695	132,926

The financial statements on pages 11 to 50 were approved and authorised by the board of directors signed on its behalf by:

Karen Jones
Director
Date: 26th September 2019

The notes on pages 18 to 50 are an integral part of these financial statements.

Prezzo Holdings Limited

Company Statement of Financial Position
As at 30 December 2018

Company registered number: 09278104

	Notes	30 December 2018 £'000	31 December 2017 £'000
Non-current assets			
Investment in subsidiaries	13	71,852	71,852
Deferred tax		-	234
		71,852	72,086
Current assets			
Trade and other receivables	17	241	325
Cash and cash equivalents	18	2	29,025
		243	29,350
Total assets		72,095	101,436
Equity attributable to owners of the parent			
Share capital	24	187,941	83,619
Other reserves	25	(100)	(1,015)
Retained earnings	25	(184,062)	(165,038)
Total equity		3,779	(82,434)
Current liabilities			
Trade and other payables	19	15,156	31,199
Borrowings	20	-	151,422
Financial instruments	22	100	1,249
		15,256	183,870
Non-current liabilities			
Borrowings	20	53,060	-
		53,060	-
Total liabilities		68,316	183,870
Total equity and liabilities		72,095	101,436

The Company's Statement of Comprehensive Income indicates a loss for the period of £19.2m (52 weeks ended 31 December 2017: £206.6m loss).

The financial statements on pages 11 to 50 were approved and authorised by the board of directors signed on its behalf by:

Karen Jones
Director
Date: 26TH September 2019

The notes on pages 18 to 50 are an integral part of these financial statements.

Prezzo Holdings Limited

Consolidated Statement of Changes in Equity
For the 52 weeks ended 30 December 2018

	Share capital £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 January 2017	83,619	(2,011)	86,446	168,054
Comprehensive expense				
Loss for the financial period	-	-	(232,739)	(232,739)
Other comprehensive income for the financial period	-	996	-	996
Total comprehensive expense for the period	-	996	(232,739)	(231,743)
At 31 December 2017	**83,619**	**(1,015)**	**(146,293)**	**(63,689)**
At 1 January 2018	**83,619**	**(1,015)**	**(146,293)**	**(63,689)**
Comprehensive expense				
Loss for the financial period	-	-	**(52,189)**	**(52,189)**
Other comprehensive income for the financial period	-	**915**	-	**915**
Total comprehensive expense for the period	-	**915**	**(52,189)**	**(51,274)**
Transactions with owners:				
Shares issued	**104,322**	-	-	**104,322**
Total transactions with owners, recognised directly in equity	**104,322**	-	-	**104,322**
At 30 December 2018	**187,941**	**(100)**	**(198,482)**	**(10,641)**

The notes on pages 18 to 50 are an integral part of these financial statements.

Prezzo Holdings Limited

Company Statement of Changes in Equity
For the 52 weeks ended 30 December

	Share capital £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
At 1 January 2017	83,619	(2,011)	41,534	123,142
Comprehensive expense				
Loss for the financial period	-	-	(206,572)	(206,572)
Other comprehensive income for the financial period	-	996	-	996
Total comprehensive expense for the financial period	-	996	(206,572)	(205,576)
At 31 December 2017	**83,619**	**(1,015)**	**(165,038)**	**(82,434)**
At 1 January 2018	**83,619**	**(1,015)**	**(165,038)**	**(82,434)**
Comprehensive expense				
Loss for the financial period	**-**	**-**	**(19,024)**	**(19,024)**
Other comprehensive income for the financial period	**-**	**915**	**-**	**915**
Total comprehensive expense for the financial period	**-**	**915**	**(19,024)**	**(18,109)**
Transactions with owners:				
Shares issued	**104,322**	**-**	**-**	**104,322**
Total transactions with owners, recognised directly in equity	**104,322**	**-**	**-**	**104,322**
At 30 December 2018	**187,941**	**(100)**	**(184,062)**	**3,779**

The notes on pages 18 to 50 are an integral part of these financial statements.

Prezzo Holdings Limited

Consolidated Statement of Cash Flows
For the 52 weeks ended 30 December

	Notes	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
Cash flows from operating activities			
Cash inflow from operating activities	29	**(15,620)**	12,804
Taxation received/(paid)		**1,464**	(846)
Net cash flows (used in)/from operating activities		**(14,156)**	11,958
Cash flows from investing activities			
Finance income		**40**	44
Payments to acquire property, plant and equipment		**(8,305)**	(7,769)
Proceeds from sale of property, plant and equipment		**1,100**	193
Cash used in investing activities		**(7,165)**	(7,532)
Cash flows from financing activities			
Increase in borrowings, net of issue costs		**-**	25,000
Interest paid		**(7,155)**	(8,909)
Cash (used in)/from financing activities		**(7,155)**	16,091
Net (decrease)/increase in cash and cash equivalents		**(28,476)**	20,517
Cash and cash equivalents at beginning of the financial period		**37,091**	16,574
Cash and cash equivalents at end of the financial period		**8,615**	37,091

The notes on pages 18 to 50 are an integral part of these financial statements.

Prezzo Holdings Limited

Company Statement of Cash Flows
For the 52 weeks ended 30 December

	Notes	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
Cash flows from operating activities			
Cash (outflow)/inflow from operating activities	29	**(21,923)**	7,335
Taxation received		**-**	-
Net cash flows (used in)/from operating activities		**(21,923)**	7,335
Cash flows from investing activities			
Finance income		**13**	3
Cash from investing activities		**13**	3
Cash flows from financing activities			
Increase in borrowings, net of issue costs		**-**	25,000
Interest paid		**(7,113)**	(8,649)
Cash (used in)/from financing activities		**(7,113)**	16,351
Net (decrease)/increase in cash and cash equivalents		**(29,023)**	23,689
Cash and cash equivalents at beginning of the financial period		**29,025**	5,336
Cash and cash equivalents at end of the financial period		**2**	29,025

The notes on pages 18 to 50 are an integral part of these financial statements.

2. Accounting policies (continued)

1. Company information

Prezzo Holdings Limited is a private company, limited by shares, domiciled and incorporated in the England and Wales. The Company's registered office is Johnston House, 8 Johnston Road, Woodford Green, Essex IG8 0XA.

The Group comprises Prezzo Holdings Limited and its subsidiaries Prezzo Limited and Prezzo Restaurants Ireland Limited.

The Group operated restaurants within the UK and Republic of Ireland casual dining markets during the period.

2. Accounting policies

(a) Statement of compliance

The consolidated and company financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRS IC") interpretations as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS.

(b) Basis of Preparation

The financial statements have been prepared on a going concern basis, under the historical cost convention. The financial statements are presented in pounds sterling and rounded to the nearest thousand pounds. The principal accounting policies, which have been applied consistently throughout the period, are set out below.

(c) Going concern

Following a difficult period of trading in 2017 and the start of 2018 the Group undertook both a Company Voluntary Agreement (CVA) process with its landlords and a refinancing of its debt facilities with its lenders during the year. Both processes were successfully completed. The CVA resulted in the closure of 109 branches, including non-core chains, and by 30 December 2018 the Group had 185 restaurants all operating under the Prezzo brand. The refinancing of the Group's debt included a debt for equity swap, and following the successful completion of the transaction, total debt has decreased from £155m to £53m. Subsequent to the refinancing, the shareholders made a further investment of £2.5m to drive the site refurbishment programme, agreed to defer interest payments of £3.9m to June 2020, and waive all covenants on the debt to December 2020.

The directors believe that the successful completion of the CVA and the refinancing have put the business in a strong position and are confident of a return to future growth in sales and profitability.

In concluding on the Going Concern status, the directors have produced detailed cash flow forecasts through to December 2020. The forecasts include like for like (LFL) sales growth in 2019 and 2020, and achievable improvements in both margins and working capital. Based on these forecasts, the Group has significant cash headroom throughout the period to December 2020.

2. Accounting policies (continued)

During 2019 to date, notable progress has been made across a number of initiatives which improve margins and working capital. Performance to date in 2019, although behind plan, shows margins in line with the detailed cash flow forecasts and working capital improvements ahead of plan. In light of the well-documented challenges to the casual dining sector, we have performed downside sensitivities to the cash forecasts for the period to December 2020 to reflect the sector risk of LFL sales deterioration. Based on such a downside scenario, with the progress achieved to date on margins and working capital improvement, and further mitigating actions that the directors have identified can be taken if required (including the deferral of investment capital expenditure in 2020 and deferral or cancellation of certain planned internal events), we continue to be satisfied that the Group has sufficient funds to meet its liabilities as they fall due for the period to 31 December 2020. Accordingly, we have concluded that the Going Concern basis for preparation of the accounts is appropriate.

(d) Impact of standards and interpretations on the financial period

IFRS 9 and 15

There are no material adjustments required to be made to the Group or Company's financial statements as a result of the application of IFRS 9 and IFRS 15 from 1 January 2018.

(e) Impact of standards and interpretations in issue but not yet effective

The following standards and revisions will be effective for future periods and are not yet adopted:

New standard or interpretation	EU endorsement status	Mandatory effective date (period beginning)
Amendment to IAS 1 and IAS 8 on definition of materiality	Not endorsed	1 January 2019
IFRIC 23 Uncertainty over income tax	Endorsed	1 January 2019
Amendments to IAS 19 – Employee benefits – plan amendments, curtailments or settlements	Not endorsed	1 January 2019
Amendments to IAS 28 on long term interests in associates and joint ventures	Endorsed	1 January 2019
Amendment to IFRS 3, 'Business combinations'	Not endorsed	1 January 2019
Amendment to IFRS 9, Financial instruments on prepayment features with negative compensation	Endorsed	1 January 2019
Annual improvements (2015-2017)	Not endorsed	1 January 2019
IFRS 16 Leases	Endorsed	1 January 2019

IFRS 16 will be effective for the Group's financial statements for annual reporting periods beginning on or after 1 January 2019. IFRS 16 specifies how an entity is to recognise, measure, present and disclose leases. IFRS 16 requires lessees to recognise assets and liabilities for all lease unless the lease term is less than 12 months, the underlying asset has a low value or the leases are under other practical expedients as specified in IFRS 16.

2. Accounting policies (continued)

Lessors continue to classify leases as operating or finance with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor IAS 17.

The Group is assessing the impact of the new standard and it is expected to have a material impact on the balance sheet as both assets and liabilities will increase and it is expected to have a material impact on key components within the income statement. IFRS 16 will not have any impact on the underlying commercial performance of the Group nor the cash flows generated in the period.

The directors anticipate that the adoption of other Standards and interpretations that are not yet effective in future periods will only have an impact on the presentation in the financial statements of the Group.

The Group has not early adopted any standard, amendment or interpretation.

(f) Basis of consolidation

The consolidated financial statements of the Group incorporate the financial statements of the Company and those entities controlled by the Company. The accounting reference date for the Group is 31 December and the consolidated financial statements are prepared to the Sunday falling nearest this date each year.

(g) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to influence those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains and losses on transactions between Group entities are eliminated on consolidation.

(h) Business combinations

All acquisitions are accounted for using the acquisition method of accounting. The cost of an acquisition is the aggregate of the fair values of the assets transferred, liabilities incurred or assumed and equity instruments in issue at the date of acquisition. Acquisition related costs are expensed as incurred.

The identified assets and liabilities and contingent liabilities are measured at their fair value at the date of acquisition. The excess of the fair value of consideration paid to acquire the business over the aggregate fair value of the Group's share of identified assets and liabilities is recorded as goodwill.

2. **Accounting policies (continued)**

(i) Revenue

Revenue represents amounts received or receivable for goods and services provided in the normal course of business (net of VAT and voluntary gratuities left by customers for the benefit of employees). Revenue is recognised at the point of delivery of goods and services to retail customers which reflects the fulfilment of the Group's performance obligations.

(j) Cost allocation

Cost of sales includes the cost of goods sold, direct labour costs, restaurant overheads together with the cost of Operations and Area Managers who work in and around the restaurants. Administrative costs includes the cost of other central support functions.

(k) Supplier rebates

Rebates from suppliers are recognised in the Consolidated Statement of Comprehensive Income within cost of sales in the period in which they are earned.

(l) Operating leases

Assets leased under operating leases are not recorded in the Statement of Financial Position. Rental payments made under operating leases are charged directly to the Statement of Comprehensive Income on a straight line basis. Lease incentives, primarily rent-free periods, are capitalised and then systematically released to the Statement of Comprehensive Income over the period of the lease term. Payments made to acquire operating leases are treated as prepaid lease expenses and are amortised over the period of the lease.

(m) Pre-opening costs

Property rentals and other related overhead expenses incurred prior to a new restaurant opening are expensed in the Statement of Comprehensive Income in the period that they are incurred. Similarly, the costs of training new staff during the pre-opening phase are written-off as incurred.

(n) Pension costs

Contributions made to defined contribution workplace pension schemes are charged to the Statement of Comprehensive Income in the period in which they become payable.

(o) Non-trading items

Non-trading items are items of income or expense that, because of their nature and the events giving rise to them, are not directly related to the delivery of the Group's restaurant service to its patrons and, therefore, merit separate presentation to allow shareholders to understand better the elements of financial performance in the period, so as to facilitate comparison with prior periods and to assess more accurately trends in financial performance. These are further explained in note 8.

(p) Operating profit

Operating profit is stated after all expenses, including any non-trading items, but before finance income or costs.

2. Accounting policies (continued)

(q) Foreign Currencies

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in pounds sterling, which is the functional currency of the Group, and the presentation currency for the consolidated and company financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each Statement of Financial Position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences are recognised in profit and loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated at exchange rates prevailing on the Statement of Financial Position date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest become a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit and loss

2. **Accounting policies (continued)**

(r) Taxation

The tax expense included in the Statement of Comprehensive Income comprises both current and deferred tax. Current tax is the expected tax payable on the taxable income arising in the period reported on, calculated using tax rates relevant to the financial period.

Deferred tax is provided using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities recorded for reporting purposes and the amounts used for tax purposes, except for differences arising on the initial recognition of an asset or liability which affects neither accounting or taxable profit at the time of the transaction. Deferred tax is calculated on an undiscounted basis, at the tax rates that are expected to apply when the liability is settled or the asset is realised using tax rates enacted or substantively enacted as at the Statement of Financial Position date.

The carrying value of deferred tax assets is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Tax is recognised in profit or loss except to the extent that IAS 12 requires certain elements of the total tax expense to be recorded directly in other comprehensive income or equity. These elements are separately disclosed in the movement in Statement of Changes in equity.

(s) Investments in subsidiaries

Investments in subsidiaries are held at cost less any impairment losses.

(t) Intangible assets

Goodwill
All business combinations are accounted for by applying the acquisition method. Goodwill acquired represents the excess of the fair value of the consideration over the fair value of the identifiable net assets acquired.

After initial recognition, positive goodwill is measured at cost less any accumulated impairment losses. At the date of acquisition, the goodwill is allocated to cash generating units, usually at business segment level or statutory company level as the case may be, for the purpose of impairment testing and is tested at least annually for impairment.

On subsequent disposal or termination of a business acquired, the profit or loss on termination is calculated after charging the carrying value of any related goodwill.

Goodwill is not amortised but is reviewed for impairment at least annually, or more frequently when there is an indication of impairment. For the purposes of impairment testing goodwill is allocated to specific individual cash generating units and future cash flows are reviewed to assess whether there is any indication of impairment.

2. Accounting policies (continued)

The goodwill recognised related to the acquisition of Prezzo Limited and was fully impaired in the prior period.

Brands
The Group carries assets in the Statement of Financial Position for brands that have been acquired. Internally generated brands are not recognised and all expenditure is written-off as incurred.

Cost is determined at acquisition as being directly attributable cost, or where necessary using an appropriate valuation method. Acquired brands with an indefinite useful economic life are tested for impairment annually. Other brands are amortised over an expected useful life of fifteen years, however, this carrying value is also subject to an impairment review if circumstances indicate a change in the recoverable amount.

The Prezzo brand was considered to have an indefinite life due to the historic record, profitability and market position of the trade name. The Chimichanga brand was written down to £Nil in the prior period.

(u) Property, Plant and Equipment

Items of property, plant and equipment are stated at cost less the accumulated charge for depreciation and any recognised impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset operate as intended.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrappage of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset is recognised in income.

Depreciation is charged so as to write-off the cost of assets over their estimated useful economic lives on a straight-line basis. It is calculated at the following rates.

Short leasehold improvements	- over the period of the lease
Fixtures, fittings and equipment	- 10% per annum
Computer equipment	- within the range 20.0% and 33.3% per annum

Computer equipment is included in Fixtures, fittings and equipment. Restaurants under construction are not depreciated.

All property, plant and equipment is reviewed for impairment in accordance with IAS 36 Impairment of Assets, when there are indications that the carrying value may not be fully recoverable.

(v) Impairment - non-financial assets

The carrying values of the non-financial assets are reviewed at each Statement of Financial Position date to determine whether there is any indication of impairment. If any such condition exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. An impairment loss is recognised whenever the carrying value of an asset exceeds its recoverable amount and impairment losses are recognised in the Statement of Comprehensive Income.

2. Accounting policies (continued)

(w) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on purchase cost on a first-in, first-out basis. Net realisable value is based on estimated selling price less any further costs to be incurred up until the point of sale.

(x) Financial instruments

Financial assets and liabilities are recognised when the Group has become a party to the contractual provisions of the instrument.

The carrying amounts of cash and cash equivalents, trade receivables, other accounts receivable, trade payables and other accounts payable approximate to their fair value.

Financial assets - Loans and receivables

Trade and other receivables
The trade receivables arising in the business are not amounts owed to the Group from retail customers, but consist of annual retrospective rebates that are received from trade suppliers shortly after the end of the period in which they are earned and accrued, and amounts due from Tesco Freetime Limited arising from its clubcard voucher scheme. Trade receivables are initially recognised at fair value and subsequently carried at amortised cost, reduced by any appropriate allowances for impairment. The Group assesses, on a forward-looking basis, the expected credit losses associated with its receivables carried at amortised cost. A receivable is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits and other short-term, highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities - Other liabilities

Borrowings
Borrowings are initially stated at the fair value of consideration received after deduction of issue costs and including any premium received on issue. The issue costs and interest payable on borrowings are charged to the Statement of Comprehensive Income over the term of the borrowings, using the original effective interest rate, or over a shorter period of time where it is more likely than not that the lender will require earlier repayment or where the borrower intends or is required to redeem early.

Derivative financial instruments
The Group does not trade in derivative financial instruments; however it does hold interest rate swaps in relation to cash flow hedges on borrowings. Interest rate swaps are held at fair value and the movement in fair value is recognised through other comprehensive income.

The Group has elected to apply the hedge accounting requirements of IFRS 9.

Trade and other payables
Trade and other payables are initially recognised at fair value and then subsequently measured at amortised cost.

2. Accounting policies (continued)

(y) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the Statement of Financial Position date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Restructuring
A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily incurred by the restructuring and not associated with the ongoing activities of the Group.

Onerous contracts
Present obligations under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable cost of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

(z) Equity

Equity issued by the Company is recorded as amounts received less direct issue costs.

3. Significant judgements and estimates

The preparation of financial statements under IFRS requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, expenses and related disclosures. These estimates and judgements are continually re-evaluated and are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and assumptions.

The estimates and assumptions that are considered to have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next period are discussed in more detail below.

(a) Useful lives of property, plant and equipment and indefinite life of Brand

Property, plant and equipment are depreciated over their estimated useful lives. The Prezzo brand is considered to have an indefinite life. Useful lives are based on management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to these estimates - the current rates of depreciation are set out in the accounting policy in note 2(u) - can result in significant variations in the carrying value and amounts charged to the Consolidated Statement of Comprehensive Income as depreciation or amortisation in a particular period.

(b) Asset Impairment – Intangible assets, Property, plant and equipment, and Investments

In carrying out an impairment review in accordance with IAS 36, it has been necessary to make estimates and judgements regarding the future performance and cash flows generated by individual trading units that cannot be known with certainty. Past performance will often be taken as the best available guide to future performance, unless it is known that the circumstances surrounding a particular trading unit have changed. When the circumstances surrounding a particular trading unit have changed or will change in the future then it can be even more difficult to forecast future performance. Impairment reviews of this nature also include estimates over discount rates and long-term growth rates which are subjective. For these reasons, the actual impairment required in the future may differ from the charge made in the financial statements. Details of any impairment charge recorded in the financial statements are provided in note 8.

(c) Onerous contracts

Onerous contract obligations are estimated by reference to the annual lease cost and the expected future performance of the individual sites. Where an onerous obligation exists the Directors have to make estimates over the level of future losses at the related site and the period over which the site is expected to return to profitability.

3. Significant judgements and estimates (continued)

Significant Judgements

(a) Going Concern

The directors believe it is appropriate to prepare the financial statements on a going concern basis. In making this assessment the directors have reviewed the cash flow forecasts of the Group for the 12 months from the date of approval of these financial statements and consider that there is sufficient cash to meeting its liabilities as they fall due for the foreseeable future. The directors have reviewed assumptions within the cash flow forecasts, including sales growth, profit margins and expected capital expenditure, and believe these assumptions to be appropriate.

4. Revenue

The analysis of the Group's revenue for the period from continuing operations is as follows:

	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
Sale of goods	**157,826**	212,568

	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
United Kingdom	**157,246**	211,624
Republic of Ireland	**580**	944
	157,826	212,568

Turnover in the period was wholly attributable to the principal activity of the Group.

5. Cost of sales

Cost of sales can be further analysed as follows:

	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
Excluding pre-opening costs	**149,662**	191,144
Pre-opening costs	**150**	305
	149,812	191,449

6. Employee information

Staff costs consist of:

	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
Wages and salaries	**58,643**	72,409
Social security costs	**4,460**	5,355
Pension costs	**483**	353
	63,586	78,117

Of this total cost, £57.7m (52 weeks ended 31 December 2017: £72.6m) was included within cost of sales and the remaining £5.8m (52 weeks ended 31 December 2017: £4.7m) was included in administration expenses. The average monthly number of employees, including directors, during the period was 3,495 (52 weeks ended 31 December 2017: 4,290) with 99 (52 weeks ended 31 December 2017: 87) of these working within the administrative functions and the remainder working in the restaurants.

7. Directors' emoluments

	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
Wages and salaries	**1,223**	487
Social security costs	**166**	-
Pension costs	**1**	1
	1,390	488

The total amount payable to the highest paid director consisted of £610,879 (52 weeks ended 31 December 2017: £186,728) in respect of emoluments. During the period three (52 weeks ended 31 December 2017: three) directors received remuneration in relation to services provided to the Company. No directors (52 weeks ended 31 December 2017: one) received remuneration from another group company.

Included within the above, two former directors received payments totalling £700,000 as a retention bonus for seeing the Group through the restructuring process, as agreed in Q1 2018.

For details of remuneration paid to Key Management Personnel see note 26.

8. Non-trading items

	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
Costs of site closures	**7,233**	946
Provision for onerous lease	**2,803**	1,979
Provision for impairment of property, plant and equipment	**8,500**	76,976
Provision for impairment of acquired intangibles	**-**	180,290
Consumables inventory write-off	**1,802**	-
Brand development costs	**598**	528
Operational improvements	**-**	621
Restructuring provision	**1,234**	561
Refinancing	**10,806**	-
	32,976	261,901

In accordance with IAS 36 Impairment of Assets, the Group has carried out a review of the carrying values of plant, property and equipment, taking into account the current trading performance and anticipated future discounted cash flows. A value in use calculation assessment has been performed at a restaurant level. The key assumptions used in calculating the value in use include forecast cash flows for the period to 30 December 2018 (based on Board approved budgets), a terminal growth rate of 2% and a pre-tax rate discount rate of 11.5%. As part of this assessment the carrying values of associated rent premiums and landlord contributions were assessed and as a result a net £0.5m (52 weeks ending 31 December 2017: £0.5m) has been written off as part of the adjustment to lease related assets/liabilities for closed sites. The impairment review identified an impairment in the value of property, plant and equipment of £8.5m (2017: £66.9m). The future budgeted cashflows reflect significant growth in profitability over the period to 2022, consistent with the turnaround plan. If the turnaround plan fails to deliver these levels of growth in profitability, this could give rise to further impairments in value. Impairments recognised in the previous year related to acquired goodwill, values attributed to brands and Property, plant and equipment.

Following the successful completion of the CVA, a total of 109 sites have been closed. The closure of these sites has resulted significant levels of non-recurring costs directly related to the closure of non-core sites. These costs have been classified as non-trading items.

A refinancing of bank debt was completed during the year, resulting in a debt for equity swap. The costs associated with this refinancing are considered to be non-trading items, and not expected to recur in future years.

During the year the Directors have written off consumables included within inventory of £1.8m. This is a non-recurring change in accounting for these items and as such is considered to be a non-trading item.

8. Non-trading items (continued)

The onerous lease provision relates to restaurants where the future cash flows are not expected to cover future rental payments under the lease agreements. A provision is made for the lower of the forecast restaurant cash outflows (including rental payments) and the rental payments, to the estimated date of exiting each site. Deferred income for lease incentives has also been considered resulting in a write back of £Nil (52 weeks ending 31 December 2017: £2.2m) included within cost of site closures.

A £1.2m charge has been made relating to costs incurred relating to support team and operational restructuring during the period (52 weeks ended 31 December 2017: £0.6m).

Brand development charges in the year of £0.6m (52 weeks ending 31 December 2017: £0.5m arose from extensive investment in understanding our brands' customer base and the development of commercial activities to ensure our proposition effectively engages with potentially new and existing customers.

Operational improvement charge in the year of £Nil (52 weeks ending 31 December 2017: £0.6m) arose from extensive investment in the development of operational practices and technological applications to support our operational staff.

A reconciliation back to adjusted EBITDA is as follows:

	2018 £'000	2017 £'000
Operating (loss)/profit excluding non-trading items	**(6,714)**	7,037
Depreciation (non-cash)	**7,420**	9,675
Loss on disposal (non-cash)	**1,954**	2,206
Pre-opening costs	**150**	305
Monitoring fees (non-cash)	**745**	205
Shareholder Management fees (non-cash)	**586**	714
Adjusted EBITDA	**4,141**	20,142

9. Operating loss

Operating loss is stated after charging:

	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
Staff costs (see note 6)	**63,586**	78,117
Amortisation of intangible assets	**-**	-
Depreciation of property, plant and equipment	**7,423**	9,726
Loss on disposal of property, plant and equipment	**1,954**	2,206
Auditors' remuneration - statutory audit services	**123**	137
- other audit services	**7**	19
- advisory services	**-**	220
Operating lease rentals	**18,090**	25,757
Non-trading items (see note 8)	**32,976**	261,901

10. Finance expense

	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
Bank loan interest	**7,716**	9,116
Amortisation of debt finance costs	**535**	839
Revolving credit facility finance costs	**948**	440
Amortisation of revolving credit facility finance costs	**86**	135
	9,285	10,530

11. Income tax credit

	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
Current tax		
Current tax on loss for the period	**-**	583
Adjustments for prior periods	**(206)**	(2,040)
	(206)	(1,457)
Deferred tax		
Effect of changes in tax rates	**(382)**	184
Adjustments for prior periods	**104**	2,736
Origination and reversal of temporary differences	**3,738**	(34,074)
	3,460	(31,154)
Total tax charge/(credit) in the Statement of Comprehensive Income	**3,254**	(32,611)

Notes to the Financial Statements (continued)
For the 52 weeks ended 30 December 2018

11. Income tax credit (continued)

	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
Factors affecting the tax expense for the period:		
Loss before taxation	**(48,935)**	(265,350)
Loss before taxation multiplied by UK weighted average rate of tax of 19% (2017: 19.25%)	**(9,298)**	(51,080)
Effects of:		
Adjustments in respect of prior periods	**(102)**	696
Change in future rate of taxation	**(309)**	184
Depreciation and impairment of ineligible fixed assets	**-**	1,314
Loss on sale of non-qualifying assets	**151**	387
Expenses - non-deductible for tax	**3,158**	14,797
Amounts not recognised	**9,620**	
Interest not allowable for tax purposes	**-**	1,091
Rolled over gains	**34**	-
Total taxation charge/(credit) for the period	**3,254**	(32,611)

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using this enacted tax rate and reflected in these financial statements.

Accordingly, deferred tax on UK balances has been calculated using a tax rate of 17%.

Other comprehensive income

The following tax charge has been recognised in other comprehensive income:

	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000
Deferred tax:		
Cash flow hedge - profit arising in the period	**(234)**	238

12. Intangible assets

Group

	Brand £'000	Goodwill £'000	Total £'000
Cost			
At 1 January 2017	130,478	76,866	207,344
At 31 December 2017	130,478	76,866	207,344
At 30 December 2018	**130,478**	**76,866**	**207,344**
Accumulated amortization and impairment			
At 1 January 2017	-	-	-
Impairment charge for the period	103,424	76,866	180,290
At 31 December 2017	103,424	76,866	180,290
At 30 December 2018	**103,424**	**76,866**	**180,290**
Net book value			
At 30 December 2018	**27,054**	**-**	**27,054**
At 31 December 2017	27,054	-	27,054
At 1 January 2017	130,478	76,866	207,344

Both the Prezzo and Chimichanga brands were recognised as intangible assets. The brand values were determined using discounted cash flow techniques and the relief from royalty method. The Prezzo brand was considered to have an indefinite life due to the historic record, profitability and market position of the trade name. The Chimichanga brand was written down to £Nil in the prior period.

The goodwill recognised related to the acquistion of Prezzo Limited and was fully impaired in the prior year.

In accordance with IAS 36 Impairment of Assets, the Group has carried out a review of the carrying values of intangible assets, taking into account the current trading performance and anticipated future discounted cash flows. A value in use calculation assessment has been performed. The key assumptions used in calculating the value in use include forecast cash flows for the period to 31 December 2022 (based on Board approved budgets), a terminal growth rate of 2% and a pre-tax rate discount rate of 11.5%. This did not identify any impairment in value. Furthermore, based on headroom identified in the impairment assessment the Directors do not believe there is any reasonably expected change in key assumptions that would give rise to an impairment in value.

13. Investments

Company

	Investment in subsidiaries £'000
Cost	
At 1 January 2017	308,783
At 31 December 2017	308,783
At 30 December 2018	**308,783**
Accumulated impairment	
At 1 January 2017	39,155
Impairment charge for the period	197,776
At 31 December 2017	236,931
At 30 December 2018	**236,931**
Net book value	
At 30 December 2018	**71,852**
At 31 December 2017	71,852
At 1 January 2017	269,628

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next three years and extrapolates cash flows for future years with a growth rate of 2%, applying an 11.5% discount rate to the forecast cash flows to test for impairment. As a result of these tests the value in use was found to be materially less than the carrying value, an impairment was made in the prior year to the carrying value of the Company's investment in subsidiaries. No impairment was deemed necessary in the period to 30 December 2018.

The following were subsidiary undertakings of the Company:

Direct subsidiary undertakings

Name	Country of incorporation	Holding	Principal activity
Prezzo Limited	United Kingdom	100%	Operating restaurants
Prezzo Restaurants Ireland Limited	Republic of Ireland	100%	Non-trading
Jonathans Restaurants Limited	United Kingdom	100%	Dormant
Ultimate Burger Limited	United Kingdom	100%	Dormant

Johnston House, 8 Johnston Road, Woodford Green, Essex, IG8 0XA is the registered address for all entities listed above with the exception of Prezzo Restaurants Ireland Limited. Prezzo Restaurants Ireland Limited is registered at 4 Upper Eyl Place, Dublin 2, Republic of Ireland.

On 9 July 2019, Jonathans Restaurants Limited was dissolved.

14. Property, plant and equipment

Group

	Short leasehold improvements £'000	Fixtures, fittings and equipment £'000	Restaurants under construction £'000	Total £'000
Cost				
At 1 January 2017	113,986	35,557	1,731	151,274
Additions	2,723	1,936	3,110	7,769
Reclassification	3,275	1,153	(4,428)	-
Disposals	(1,981)	(1,400)	-	(3,381)
At 31 December 2017	118,003	37,246	413	155,662
Additions	2,719	2,401	3,185	8,305
Reclassification	1,623	395	(2,018)	-
Disposals	(59,769)	(21,457)	(1,550)	(82,776)
At 30 December 2018	**62,576**	**18,585**	**30**	**81,191**
Accumulated depreciation				
At 1 January 2017	17,056	8,088	-	25,144
Depreciation charge	5,257	4,469	-	9,726
Impairment provisions	76,976	-	-	76,976
Disposals	(278)	(704)	-	(982)
At 31 December 2017	99,011	11,853	-	110,864
Depreciation charge	4,100	3,323	-	7,423
Impairment provisions	8,500	-	-	8,500
Disposals	(67,976)	(11,746)	-	(79,722)
At 30 December 2018	**43,635**	**3,430**	**-**	**47,065**
Net book value				
At 30 December 2018	**18,941**	**15,155**	**30**	**34,126**
At 31 December 2017	18,992	25,393	413	44,798
At 1 January 2017	96,930	27,469	1,731	126,130

Of the total depreciation charge for the period £7.1m (52 weeks ended 31 December 2017: £9.3m) was included within cost of sales and the remaining £0.3m (52 weeks ended 31 December 2017: £0.4m) was included within administration expenses.

For details of impairment provisions please see note 8.

15. Prepaid operating leases

Group	30 December 2018 £'000	31 December 2017 £'000
Held within non-current assets	**1,277**	2,241
Held within current assets	**3,387**	6,042
	4,664	8,283

Prepaid operating leases is made up as follows:

- Included in amounts held within one year is the sum of £2.9m (52 weeks ended 31 December 2017: £5.6m) which represents quarterly instalments on operating leases paid in advance;
- In addition there is a further £2.2m (31 December 2017: £2.5m) which is made up of lease premiums, which IFRS requires to be treated as rent paid in advance and amortised over the length of the lease, normally 20 or 25 years. As a result, £0.2m (31 December 2017: £0.2m) is classified within current assets, with the remaining balance included in non-current assets

16. Inventories

Group	30 December 2018 £'000	31 December 2017 £'000
Raw materials and consumables	**1,586**	2,524
Crockery and utensils	**-**	2,860
	1,586	5,384

In the directors' opinion, there is no material difference between the replacement cost of inventory and the amounts stated above.

The Group recognised stock purchases of £36.7m in the Statement of Comprehensive Income in the 52 weeks ended 30 December 2018 (52 weeks ended 31 December 2017: £48.1m). The amount of inventories written-off in the period and included in non-trading items was £1,815,740 (52 weeks ended 31 December 2017: £21,000).

17. Trade and other receivables

	Group		Company	
	30 December 2018 £'000	31 December 2017 £'000	30 December 2018 £'000	31 December 2017 £'000
Trade receivables	**1,896**	3,939	241	325
Other receivables	**385**	45	-	-
Prepayments and accrued income	**2,847**	4,345	-	-
	5,128	8,329	241	325

All amounts shown fall due for payment within one year.

18. Cash and cash equivalents

	Group		Company	
	30 December 2018 £'000	31 December 2017 £'000	**30 December 2018 £'000**	31 December 2017 £'000
Cash at bank and in hand	**8,615**	37,091	2	29,025

19. Trade and other payables

	Group		Company	
	30 December 2018 £'000	31 December 2017 £'000	**30 December 2018 £'000**	31 December 2017 £'000
Trade payables	**6,561**	8,594	**882**	10
Amounts owed to group undertakings	**-**	4,105	**12,679**	28,820
Amount owed to related undertakings	**4,364**	516	**-**	-
Taxation and social security	**4,224**	6,192	**-**	-
Other payables	**2,535**	3,843	**-**	-
Accruals	**13,805**	15,340	**1,595**	2,369
Total trade and other payables	**31,489**	38,590	**15,156**	31,199
Trade and other payables classified as non-current liabilities:				
Accruals	**5,093**	5,856	**-**	-
Trade and other payables classified as current liabilities	**26,396**	32,734	**15,156**	31,199

Amounts owed to group undertakings are non-interest bearing, unsecured and repayable on demand.

Accruals classed as non-current liabilities relate to rent free periods and landlord contributions.

20. Borrowings

	Group		Company	
	30 December 2018 £'000	31 December 2017 £'000	**30 December 2018 £'000**	31 December 2017 £'000
Bank loans – Senior facility	**53,060**	130,000	**53,060**	130,000
Capitalised debt issue costs	**-**	(3,578)	**-**	(3,578)
Bank loans – Drawn Down RCF	**-**	25,000	**-**	25,000
	53,060	151,422	**53,060**	151,422
Due for settlement within 12 months	**-**	155,000	**-**	155,000
Due for settlement after 12 months	**53,060**	-	**53,060**	-

The £155m loan outstanding as at 31 December 2017 was repayable in December 2021, however because the Company was unable to comply with the financial covenants set out in the lending agreement, all amounts were presented as falling due within one year.

Covenants in the facility agreement were breached as at 31 December 2017 due to difficult trading conditions in the final quarter of 2017. The breaches were subsequently waived by lenders and a further waiver was obtained in respect of the CVA process and March 2018 covenant tests. Following the expiry of the March 2018 covenant waiver, a new facilities agreement with reset financial covenants was agreed in August 2018.

As part of the new facility agreement, a debt for equity swap was undertaken with the lender group, which resulted in £104m of debt being converted into share capital. Interest costs of £2.4m have been added to the outstanding debt of £51m and is shown above, in accordance with the reset facilities agreement.

The outstanding principal loan amount, the maturity date and the interest rate payable on the Group's debt facilities are set out below:

	Loan principal	Undrawn	Maturity date
Facility B1	**£49.7m**	-	20-Aug-23
Facility B2	**£1m**	-	24-Dec-21
Facility B1 – incremental loan	-	£2.5m	30-Jun-20

The revolving credit facility was drawn down in February 2019.

The rate of interest payable on each loan is the percentage rate per annum which is the aggregate of LIBOR together with a fixed margin, which is measured at the start of the interest period. The margin applied in the period on Facility B1 was 5% and on Facility B2 the margin applied was 6%.

21. Deferred taxation

Group

Deferred tax asset

	2018 £'000	2017 £'000
At 1 January	**3,849**	472
Charge/(credit) for the period	**(2,914)**	3,615
Charge to Other Comprehensive Income	**(234)**	(238)
At 30 December/31 December	**701**	3,849

Deferred tax liability

	2018 £'000	2017 £'000
At 1 January	**4,649**	-
Charge/(credit) for the period	**546**	(27,539)
On acquisition	**-**	32,188
At 30 December/31 December	**5,195**	4,649

The deferred tax asset shown above can be analysed as follows:

	30 December 2018 £'000	31 December 2017 £'000
Accelerated capital allowances	**-**	3,506
Other short term temporary differences	**-**	109
Fair value movements of financial instruments	**-**	234
Losses	**701**	-
	701	3,849

The deferred tax liability shown above can be analysed as follows:

	30 December 2018 £'000	31 December 2017 £'000
Other short term temporary differences	**-**	50
Gains	**701**	-
Brand and fair value uplifts	**4,494**	4,599
	5,195	4,649

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	30 December 2018 £'000	31 December 2017 £'000
Deferred tax asset	**701**	109
Deferred tax liabilities	**5,195**	(909)
	(4,494)	(800)

21. Deferred taxation (continued)

Company

Deferred tax asset

	2018 £'000	2017 £'000
At 1 January	**234**	472
Charge to Other Comprehensive Income	**(234)**	(238)
At 30 December/31 December	**-**	234

The deferred tax asset shown above can be analysed as follows:

	30 December 2018 £'000	31 December 2017 £'000
Fair value movements of financial instruments	-	234

22. Financial instruments

	Group		Company	
	30 December 2018 £'000	31 December 2017 £'000	30 December 2018 £'000	31 December 2017 £'000
Cash flow hedge	**100**	1,249	**100**	1,249

The fair value of financial instruments that are not traded in an active market (for example over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates, and therefore are classified as level 2. The fair value of interest rate swaps are classified as non-current liabilities as the remaining maturity of the hedged item is greater than 12 months.

At 30 December 2018, the fixed interest rates vary from 7.2% to 7.7% and the main floating rate is LIBOR. Fair value adjustments on the interest rate contracts will be recognised within non-current assets and other reserves in equity through to maturity.

23. Provisions

	Other £'000	Restructuing £'000	Onerous leases £'000	Total £'000
As at 1 January 2018	360	3	4,191	4,554
Additional provisions	-	-	2,803	2,803
Used during the period	-	(2)	(4,162)	(4,164)
	360	**1**	**2,832**	**3,193**

The onerous lease provision relates to future lease obligations at sites that are currently loss making. The provision is expected to reverse over the next 5 years.

Analysis of total provisions:

	30 December 2018 £'000	31 December 2017 £'000
Non-current	**1,677**	-
Current	**1,516**	4,554
	3,193	4,554

24. Share capital

	30 December 2018 Number	**30 December 2018 £'000**	31 December 2017 Number	31 December 2017 £'000
Alloted and issued:				
Ordinary shares of £1 each	-	-	83,618,794	83,619
Deferred shares of £1 each	**83,618,794**	**83,619**	-	-
A Ordinary shares of £1 each	**37,935,484**	**37,935**	-	-
B Ordinary shares of £1 each	**65,709,677**	**65,710**	-	-
C Ordinary shares of £1 each	**677,419**	**677**	-	-
At 30 December 2018 and 1 January 2018	**187,941,374**	**187,941**	83,618,794	83,619

On 20 August 2018, the Company re-designated 83,618,794 Ordinary shares of £1 each as 83,618,794 Deferred shares of £1 each, representing a variation to the rights attached to those shares.

On 20 August 2018, the Company issued the following shares:

- 37,935,484 A Ordinary shares of £1 each for consideration of £37,935,484;
- 65,709,677 B Ordinary shares of £1 each for consideration of £65,709,677;
- 677,419 C Ordinary shares of £1 each for consideration of £677,419;

24. Share capital (continued)

All consideration was satisfied by the discharge and release of an amount of debt owed by Prezzo Holdings Limited to each new shareholder. The amount of debt released by each new shareholder equals the amount payable by each new shareholder to Prezzo Holdings Limited for the issue of shares to be fully paid.

Share rights

The Deferred shares have no voting, distribution or redemption rights.

The A Ordinary, B Ordinary and C Ordinary shares all rank pari-passu in their rights to vote and in the distribution of dividends, and do not carry any redemption rights.

On a return of capital on a winding-up, reduction of capital or otherwise (other than a redemption or purchase by the Company of shares), the assets of the Company available for distribution among the shareholders shall be distributed in the following priority:

a) First, to the A Ordinary, B Ordinary and C Ordinary shareholders (pari-passu as if they represented one class of ordinary shares) in proportion to the number of shares held;
b) If the assets of the Company available for distribution on a return of capital on a winding-up, reduction of capital or otherwise exceed £100,000,000,000, the Deferred shares shall be entitled to a total amount of £0.01;
c) Any surplus assets remaining after the above to the A Ordinary, B Ordinary and C Ordinary shareholders (pari-passu as if they represented one class of ordinary shares) in proportion to the number of shares held.

25. Reserves

The nature and purpose of each of the reserves within shareholders' equity is explained below.

Reserve	**Description and purpose**
Other reserves	Reflects the fair value of interest rate swaps in respect of cash flow hedges relating to borrowings.
Retained earnings	The cumulative gains and losses recognised in the Statement of Comprehensive Income together with other items which are required to be taken direct to equity.

26. Related party transactions

During the period the Group was charged £745,000 (52 weeks ended 31 December 2017: £205,000) by TPG VI Management LLC in relation to monitoring fees. The balance outstanding as at 30 December 2018 was £1,041,097 (52 weeks ended 31 December 2017: £205,000).

At 30 December 2018, of the total borrowings, £19m was owed to TGP VI Papa UK Holdings Ltd, a related party, comprising £18.1m principal and £0.9m interest which has been rolled up into the debt as per the reset facilities agreement. A further £0.4m was held in accruals.

Key management personnel

The Executive Committee comprises Executive Directors of Prezzo Holdings Limited and Head of Department across the key functions of the business. Amounts paid to Key Management Personnel totalled £1.3m (52 weeks ended 31 December 2017: £1.8m) Group Directors and Key Management Personnel have contributed £nil (52 week period ended 31 December 2017: £52,800) to a management equity plan held outside of the Group. The share purchases were made at arm's length and at fair value. For amounts paid to directors see note 7.

27. Future commitments under operating leases

The total future minimum rental payments outstanding under non-cancellable operating leases as at 30 December/31 December:

Group	Property leases 30 December 2018 £'000	Property leases 31 December 2017 £'000
Not later than one year	**14,730**	24,454
Later than one year and not later than five years	**57,853**	95,966
Over five years	**147,118**	276,894
	219,701	397,314

Leases for land and buildings are subject to rent reviews.

Company

The Company has no operating leases.

28. Capital commitments

Group	30 December 2018 £'000	31 December 2017 £'000
Authorised and contracted	**-**	1,408

As at the Statement of Financial Position date, the Group had no capital commitments in respect of contracts for fit out works at any additional new leasehold sites (31 December 2017: four).

Company

The Company had no capital commitments outstanding.

Notes to the Financial Statements (continued)
For the 52 weeks ended 30 December 2018

29. Reconciliation of loss before tax to net cash (outflow)/inflow from operating activities

	Group		Company	
	52 weeks ended 30 December 2018 £'000	52 weeks ended 31 December 2017 £'000	**52 weeks ended 30 December 2018 £'000**	52 weeks ended 31 December 2017 £'000
Loss before taxation	**(48,935)**	(265,350)	(19,230)	(207,318)
Finance income	**(40)**	(44)	(13)	(3)
Finance expense	**8,664**	9,556	8,667	9,407
Amortisation of loan fees	**621**	974	621	974
Depreciation	**7,423**	9,726	-	-
Loss on disposal of property, plant and equipment	**1,954**	2,206	-	-
Impairment of property, plant and equipment	**8,500**	76,976	-	-
Impairment of intangibles	-	180,290	-	-
Adjustments to lease related assets/liabilities for closing sites	**535**	(1,702)	-	-
Movement in provisions	**(1,361)**	2,164	-	-
Decrease in inventories	**3,798**	52	-	-
Decrease/(increase) in receivables	**6,728**	2,345	(215)	507
(Decrease)/increase in payables	**(6,763)**	(4,389)	(15,009)	5,992
Write-off of fees associated with debt	**3,256**	-	3,256	-
Cash from operations	**(15,620)**	12,804	(21,923)	7,335

30. Financial risk management

The Group is exposed to certain risks arising from its exposure to financial instruments and IFRS 7 'Financial Instruments - Disclosures' requires that it provides disclosures regarding the quantum and nature of these risks, together with the policies and procedures put in place to manage them appropriately.

The Board is responsible for the determination of the Group's risk management objectives and policies. Whilst acknowledging this responsibility, it has delegated the authority and day-to-day responsibility for designing and operating systems and controls that meet these risk management objectives to the finance and administration function. The Board regularly reviews the effectiveness of these processes in meeting its objectives and considers any necessary changes in response to changes within the business or the environment in which it operates.

The principal financial risks faced by the Group have been identified as liquidity risk, interest rate risk and credit risk. To date the Group has had only very limited exposure to currency risk.

Liquidity risk

The Group finances its operations through a mixture of equity (Company share capital, reserves and retained earnings) and debt. The Group manages its liquidity risk by monitoring its existing debt for both financial covenants and funding headroom against both short-term and longer-term cash flow forecasts. Detailed budgeted cash flow forecasts are prepared for the Board setting out anticipated working capital flows together with future obligations from capital projects in progress and the resulting impact on its cash balances.

30. Financial risk management (continued)

Maturity analysis

The table below analyses the Group's non-derivative financial liabilities into the relevant maturity groupings based on the remaining period as at the period end to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

As at 1 January 2018:

	Less than 1 year £000	1-2 years £000	2-5 years £000	Over 5 years £000	Total £000
Loans and other borrowings	155,000	-	-	-	155,000
Trade and other payables	16,542	-	-	-	16,542
	171,542	-	-	-	171,542

As at 30 December 2018:

	Less than 1 year £000	**1-2 years £000**	**2-5 years £000**	**Over 5 years £000**	**Total £000**
Loans and other borrowings	-	-	**53,060**	-	**53,060**
Trade and other payables	**13,666**	-	-	-	**13,666**
	13,666	-	**53,060**	-	**66,726**

The £155m loan outstanding as at 31 December 2017 was repayable in December 2021, however because the company was unable to comply with the financial covenants set out in the lending agreement, all amounts were presented as falling due within one year.

Covenants in the facility agreement were breached as at 31 December 2017 due to difficult trading conditions in the final quarter of 2017. The breaches were subsequently waived by lenders and a further waiver was obtained in respect of the CVA process and March 2018 covenant tests. Following the expiry of the March 2018 covenant waiver, a new facilities agreement with reset financial covenants was agreed in August 2018.

As part of the new facility agreement, a debt for equity swap was undertaken with the lender group, which resulted in £104m of debt being converted into share capital. Interest costs of £2.4m have been added to the outstanding debt of £51m and is shown above, in accordance with the reset facilities agreement.

Detailed cash flow forecasts are prepared for the Board setting out anticipated working capital flows together with future obligations from capital projects in progress and the resulting impact on cash balances.

Interest rate risk

Interest rate risk reflects the Group's exposure to movements in interest rates in the market. The Group's income and operating cash flows are substantially independent from fluctuations in market interest rates. The Group has also utilised interest rate swaps to hedge against the movement in interest rates and mitigate the Group's exposure to this risk.

30. Financial risk management (continued)

The following table sets out the interest rate risk associated with the Group's financial liabilities:

As at 1 January 2018:

	Fixed rate £000	Floating rate £000	Non-interest bearing £000	Total £000
Loans and other borrowings	129,000	26,000	-	155,000
Trade and other payables	-	-	16,542	16,542
	129,000	-	16,542	171,542

As at 30 December 2018:

	Fixed rate £000	Floating rate £000	Non-interest bearing £000	Total £000
Loans and other borrowings	**53,060**	**-**	**-**	**53,060**
Trade and other payables	**-**	**-**	**13,666**	**13,666**
	53,060	**-**	**13,666**	**66,726**

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

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

See note 22 for disclosures of the derivative financial instruments that are measured at fair value.

Interest income received on surplus cash deposits in the period amounted to £40,000 (52 weeks ended 31 December 2017: £22,000) and represented 0.08% (52 weeks ended 31 December 2017: 0.18%) of adjusted profit before taxation. A 1% movement in market interest rates would have had significantly less than 1% impact on profits.

Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets held at the Statement of Financial Position date. The Group's credit risk arises principally from trade receivables and cash and cash equivalents.

30. Financial risk management (continued)

An analysis of the ageing of trade receivables is provided below:

	30 December 2018 £'000	31 December 2017 £'000
Trade and other receivables are due:		
Current	**2,281**	3,984

There are no amounts within receivables that are past due.

All receivables are non-derivative financial assets with fixed or determined payments that are not quoted in an active market. In practice, the Group has limited exposure to credit risk as the receivables in the Statement of Financial Position are predominantly receivable from well-established trade suppliers or landlords. These relationships are monitored closely and given the ongoing nature of trading with such counterparties, the likelihood of default is considered to be limited.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Trade receivables and contract assets are written-off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

Group policy is that cash collected at its retail branches is banked on a regular and frequent basis to ensure that security risks are minimised and that cash resources are utilised efficiently. Any significant changes in strategy for the treasury function are discussed and approved at Board level. Cash is deposited with AA rated, UK-based financial institutions, in funds that are readily converted into known amounts of cash and the credit risk on such assets is considered to be limited.

Capital

The Group's objectives when managing its capital are to safeguard its ability to continue as a going concern and trade profitably to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce its cost of capital.

30. Financial risk management (continued)

The capital of the Group as at 30 December/31 December is summarised as follows:

	30 December 2018 £'000	31 December 2017 £'000
Total borrowings	**53,060**	155,000
Less cash and cash equivalents	**(8,615)**	(37,091)
Net debt	**44,445**	117,909
Total equity	**(10,641)**	(64,731)
Total capital	**34,804**	53,178

The Group manages its capital with regard to the risks inherent in the business and the industry in which it operates.

In order to maintain or adjust the capital structure, the Group may adjust the amounts of dividends paid to shareholders, return capital to shareholders, issue new shares or sell marketable assets to reduce debt.

The Group's financial assets and liabilities included in the Consolidated Statement of Financial Position are classified as set out below:

Financial assets	30 December 2018 £'000	31 December 2017 £'000
Trade and other receivables	**2,280**	3,984
Cash and cash equivalents	**8,615**	37,091
	10,896	41,075

Financial liabilities	30 December 2018 £'000	31 December 2017 £'000
Loans and borrowings	**53,060**	151,422
Trade and other payables	**13,666**	16,542
	66,726	167,964

With the exception of interest rate swaps held, all financial assets and liabilities are measured at amortised cost. In the opinion of the Directors, the fair value of these financial instruments is not considered to be materially different from their amortised cost.

31. Pensions

The Company operates personal money purchase pension schemes for the benefit of the directors and employees. Trustees administer the schemes and the assets are held in funds independent from those of the Company. The pension charge for the financial period was £483,000 (52 weeks ended 31 December 2017: £353,000).

Notes to the Financial Statements (continued)
For the 52 weeks ended 30 December 2018

32. Ultimate controlling party

The directors consider there to be no ultimate controlling party.