Prezzo Investco Limited

Company Number 13150097

Annual Report and financial statements for the period ended 1 January 2023

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Directors	Jonathan Goldstein Dean Challenger Joseph Stelzer Adam Taylor
Company Number	13150097
Registered office	116 Upper Street London N1 1QP
Auditor	Ernst & Young LLP 1 More London Place London SE1 2AF

Prezzo Investco Limited
Strategic report
For the period ended 1 January 2023

The directors present their strategic report for Prezzo Investco Limited (the "Company") and its subsidiary (together the "Group" or "Prezzo") for the period ending 1 January 2023. The Group operates under a 52-week calendar period with an accounting reference date of 31 December.

Principal activities
The Group's principal activity is the operation of Italian restaurants within the UK casual dining segment.

The Company is a UK parent company. The results of the Company's subsidiary, Prezzo Trading Limited, are consolidated in these Group financial statements.

Business review
Incorporation and Acquisition of Prezzo

The Group acquired the trade and assets of the Prezzo brand from the administrators of Prezzo Limited on 10 February 2021, during a third national lockdown running from December 2020 to March 2021. The Group acquired 156 sites on a license to occupy from Prezzo Limited. By 9 February 2022 all ongoing leases had been assigned.

At 1 January 2023, Prezzo operates from 148 restaurants around the UK:

	2022 No.	2021 No.
Prezzo locations at start of year	150	-
Sites acquired by Prezzo Trading Limited from Prezzo Limited	-	156
Closures in the period	(2)	(7)
New sites opened in the period	-	1
Prezzo locations at end of year	148	150

Impact of COVID-19
Although full lock downs were no longer an impact during 2022, the start of the year did continue to see some effects in footfall and staff illness following the advent of Omicron at the end of 2021. However, the removal of all restrictions in April 2022 enabled the business and the market to move on from the immediate adverse implications of COVID.

Trading & performance
Whilst the business was able to put COVID behind it in 2022, new challenges emerged. The invasion of Ukraine by Russia in February 2022 led to previously unseen inflation in utilities and the broader cost base, in particular food supply. This also coincided with the end of government support with the cessation of grants and reduced VAT in March 2022.

The impacts of Brexit and the lifting of COVID restrictions brought a tightening labour market during 2022 which in turn added labour inflation to the market. Furthermore, rising inflation, higher interest rates and increasing energy costs started to impact consumers and their levels of discretionary spend, reducing footfall across the hospitality industry.

The business proactively worked with its existing and new suppliers to minimise the impact of inflation within food and drink whilst looking at opportunities to develop the menu, introduce new dishes and invest in ingredients. Improving quality in the difficult market environment was a key priority for the business. The focus on menu development underpinned the change in pricing strategy that the company made during the year to ensure prices reflected its position as one of quality within the casual dining market.

Revenue for the year was £135m up from £95m in the prior year.

As a result of the increase in menu prices, focus on efficiency and the save to invest focus of the business, gross profit margin increased from 31.2% to 35.0%. The challenges within the macro-environment and the consequential change to the financial model of restaurants meant that the Group made an Adjusted EBITDA loss of £5.0m (2021: Adjusted EBITDA profit of £4.4m). Loss after tax of £31.6m (2021: Loss after tax of £23.4m) includes significant non-cash charges in relation to provisions made for onerous leases and the impairment of fixed assets and property lease premium assets.

The structural change within the industry meant that throughout 2022 the Group continued to review its restaurant estate which moved from 150 at the beginning of the year to 148 at the year end with landlord discussions underway to exit further sites during 2023.

During the period the Group drew down £4,000k (2021: £9,667k). A total of £124k (2021: £606k) was repaid.

In 2023 further financing facilities were put in place being an extension to the shareholder loan facility referenced in Note 35 from £24.5m to £28.9m. Three tranches of funding were received after the reporting date being £1.0m on 30 January 2023, £1.4m on 19 May 2023 and £2m on 7 July 2023.

Investment and capital expenditure

During the year Prezzo completed six refurbishments which have shown positive returns, and it is intended to do more of these in 2024. We also completed a number of smaller improvement projects across the estate during 2022.

Key performance indicators
The key performance indicators used by management to monitor and measure performance are as follows:

	2022	**2021**
Revenue	£134.7m	£94.9m
Gross Profit Margin (%)	35.6%	31.2%
Adjusted EBITDA	(£5.0m)	£4.3m
Adjusted EBITDA Margin (%)	(3.7%)	4.5%

A reconciliation from loss before tax to Adjusted EBITDA is as follows:

	2022 £'000	2021 £'000
Loss before tax	(31,558)	(23,435)
Depreciation expense	2,831	3,051
Finance expenses	1,808	1,155
(Profit)/ Loss on disposal of tangible fixed assets	(872)	93
Impairment charge on tangible fixed assets	7,140	11,761
Impairment of property lease premium assets	2,832	-
Amortisation and disposal of lease premium assets	487	363
Share based payments charge	2,081	723
Onerous lease provisions	9,470	6,895
Exceptional items	760	3,758
Other non-trading adjustments*	46	-
Adjusted EBITDA	(4,975)	4,364

**Other non-trading adjustments include fees payable to an affiliate of the company's intermediate parent, Cain International LP*

Adjusted EBITDA now includes amortisation and disposal of lease premium assets. The prior period Adjusted EBITDA has changed by £363k as a result from £4,001k to £4,364k.

Events since the period end
Post year-end, management took the decision to right-size the restaurant estate down to a total of 97 sites which were profitable and in management's view capable of delivering sustainable growth for the future, alongside a significant reduction in central overhead costs. The restaurant closures were made in April 2023.

The company affected the closures by way of a restructuring plan under Part 26A of the Company's Act 2006. The restructuring plan was sanctioned by the High Court on 5th July 2023. The principal terms of the restructuring plan were:

- Senior secured loan noteholders were to remain whole with the maturity extended.
- HMRC as preferential creditor were to receive a cash payment of £3.3m which was equal to the floating charge assets in the relevant alternative.
- Payments to local authorities in respect of business rates and council tax in relation to profitable sites were not paid in May and June 2023.
- Liabilities for other unsecured creditors were released in full. This included landlords of loss-making sites, creditors in respect of deferred and exit consideration, local authorities in respect of loss-making sites and other unsecured creditors, including HMRC in respect of its non-preferential claims.

With the restaurant estate and central overhead restructure complete we have seen performance in 2023 return to profitability. Furthermore, with underlying supply issues of labour easing, inflation beginning to stabilise, the recruitment of a new executive team completed and locked-in deflationary benefits in utilities for 2024 and 2025, the outlook for Prezzo is positive.

Principal risks and uncertainties
The following are judged to be the principal risks affecting the company's operations, but it should be noted that this is not an exhaustive list and the company has policies and procedures in place to address other areas of risk facing the business. Risks faced by the business, both internal and external, are constantly monitored by the directors to ensure the Board can take appropriate action in a timely manner.

Macro-environment
Rising inflation, particularly within food and energy, coupled with increased rates of interest has squeezed consumer spending and resulted in increased costs through 2022 and into 2023.

We have sought to mitigate these costs through a continued focus on productivity, supply chain efficiencies, and a buying strategy that includes fixed price contracts where possible. The increased costs have also necessitated increases in pricing, however, these have coincided with the development of our menu and investment in ingredients to minimise the potential risk of reduced volume as a result of price increases.

Prezzo regularly reviews its product offering and engages with customers to ensure that it provides an attractive value for money offering as part of a varied menu.

The risk of lower sales can be mitigated by flexing labour and other variable costs given the lower volumes as well as a reduction in discretionary spend and capital investment.

Other macro risks include the availability of Labour and over recent years given the impacts of Covid and Brexit we have seen a scarcity of suitably trained people, and this has resulted in higher costs. In addition, the UK National Living Wage legislation has continued to drive up labour rates. Key to addressing these challenges is our focus on retention and engagement alongside improving our productivity with the support of technology.

COVID-19 pandemic
The COVID-19 pandemic had a significant impact on the Group's operations during 2021, with some impact still being felt at the start of 2022. The outbreak resulted in UK government mandated restrictions during 2021, most significantly being the closure of dine-in hospitality for the period from the company's incorporation up to 17 May 2021. These measures resulted in a reduction in capacity, a reduction in customer visits to our restaurants, and severe disruptions to our supply chains. Whilst any future risk associated with COVID-19 is unlikely, future pandemics of course remain a risk.

Employee retention
Our People form one of our strategic pillars in recognition of the importance of our teams in delivering a memorable customer experience and ensuring excellent customer service. The labour market is increasingly competitive in the post-Brexit and post-COVID landscapes and so labour retention is a risk. We mitigate this through continued monitoring of market pay and benefit structures, and a continual focus on employee engagement, wellbeing and development.

Quality control and health & safety
Food safety is of critical importance to us, and we have a comprehensive set of policies and procedures in place to ensure compliance with all relevant legislation. We have a dedicated team of Health and Safety professionals who are responsible for ensuring compliance with legislation around health & safety as well as food standards and allergens to ensure Prezzo maintain the highest standards.

Reputation
We aim to deliver to the highest standard of guest experience and recognise that this encompasses not only providing quality food and drinks in attractive surroundings, but also efficient and attentive service. We continue to invest in training and infrastructure to monitor and continually improve our guest experience alongside using the data gathered from customer feedback surveys and online reviews.

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

Fraud risk
The company operates multiple sites across the United Kingdom. A risk of fraud can exist in the misappropriation of assets including theft of stock and theft of cash. The company mitigates this risk through management structure, regular financial review with an extensive use of business systems such as point of sale and stock management. The internal risk team also perform detailed analysis and regular restaurant audits.

Liquidity
Liquidity risk is considered as part of the short and long term cashflow and forecasting. The Group undertakes sensitivity scenarios to understand the impact of different trading scenarios, both upside and downside, which enables risks to be mitigated or opportunities accelerated. Management and the Board regularly review and discuss periodic management accounts, re-forecast cash-flows and forward-looking analysis.

The Group has received a letter of support in respect of the provision of financial support from the Company's indirect parent, Cain International LP ("Cain") confirming that Cain, as of the date of signing these accounts has the ability to and will provide financial support to Prezzo Investco Limited in meeting the Group's liabilities as and when they fall due for a period until 31 March 2025. The Group has also received confirmation from its parent company, Jampurchaseco Limited, and its other shareholders that it will not demand repayment of the shareholder loans including any interest accrued at 1 January 2023 and any interest accruing during the going concern period, until 31 March 2025 unless the Group is in a position to repay any amounts called upon.

On this basis and that of current cash deposits now held and ongoing cash generation through the Group's operations, following the restructuring process in 2023, the Group is able to meet its future obligations as they fall due.

Corporate Governance and Section 172(1) statement
The Group has not applied the Corporate Governance Code 2018 published by the FRC, applicable to listed companies, as Prezzo Investco Limited is a private, non-quoted Company. However, the Directors are aware of the requirements of that code and have sought to apply good principles of governance in a manner that promotes the long-term success of the Group as set out in more detail below.

Prezzo's purpose is to Share the Joy of Italian Dining. Underpinning these are our four values:
- One Team
- Genuine Connection
- Drive to Succeed
- Pride

These guide the focus, the strategy, and underpins the behaviours of Prezzo's employees and senior management, establishing a holistic and robust approach to risk management and corporate governance.

Board Composition
The Directors of the Company will regularly review the structure, size and composition of the Board in order to ensure it comprises the right people with the requisite skills, background, experience and knowledge required to complement the promotion of the long term success of the Group and to identify the impacts of the Board's decisions on the Group's stakeholders, and where relevant, the likely consequences of those decisions in the long term. In making its decisions, the Board and the Executive Committee "ExCo" are required to consider the outcome of any stakeholder impact assessment that has been undertaken to support it in making that principal decision, as set out within the Section 172 statement.

The Board convenes monthly and is a quorum consisting of the Directors of the Company, and with members of the Executive Committee ("ExCo") in attendance by invitation.

The Executive Committee is the principle decision making body to which operational decisions are delegated, and at the date of approval of these accounts, consists of the following members:

Dean Challenger – Chief Executive Officer
Andrew Davill – Chief Operating Officer
Jo Harrison – Chief Finance Officer
David Broom - Chief Information Officer
Gwion Iwan – Operations Director
Mary-Helen Waldron – Chief People Officer
Olly Smith – Chief Culinary Officer
Beatrice Vears – Chief Marketing Officer

The ExCo meets at least once a week.

Section 172(1) statement
Where a Group meets the relevant thresholds under the Companies (Miscellaneous Reporting) Regulations 2018, it is required to explain in its Directors' report and on its website how its directors have considered and applied their statutory duty to promote the success of the Group under Section 172 of the Companies Act 2006 ("Section 172"). Prezzo is captured by the Section 172 requirements on a consolidated basis and therefore this statement is disclosed on behalf of the Group.

Key Stakeholders and Engagement
The key stakeholders of the Group are our employees, our customers, our suppliers and landlords, our local communities, and our shareholders. Essential to all these interests is effective engagement and communication.

The Board understands the need to regularly review the identity of Prezzo's stakeholders as they make decisions in accordance with Section 172 duties.

Principal decisions
Currently, ExCo are responsible for making Prezzo's material decisions. The relationship between ExCo and the Board is formalised. Principal decisions are delegated to ExCo, except where they cannot be delegated under the Act.

A stakeholder impact assessment is to be undertaken, detailing the impact of any principal decisions on key stakeholders, how interests were considered, and details of any key risks. The Directors have taken the view that decisions that are principal in nature are those which are strategic, commercially material, and those that significantly impact key stakeholders.

Engagement with key stakeholders
The Group is required to disclose a statement on behalf of how the directors have engaged with key stakeholders and how they have taken account of their interests.

Employees
The interests of our employees include a positive environment in which to work, fair pay, promotion of health and wellbeing, and an environment of inclusion, diversity and honesty.

The Directors recognise that the Group's employees are fundamental to its success. Prezzo factors the implications of decisions on employees wherever relevant, and Prezzo has fostered these relationships through holding listening groups and the reintroduction of an all-employee engagement survey during the year. Feedback from these sessions has a direct impact on decision making.

Customers
The interests of our customers include excellent customer service, defined by attentiveness and friendliness; delicious food and drink and our ability to react to customer preferences and needs.

We actively engage with our customers through numerous channels, including social media and focus groups, and have multiple sources of collecting feedback including over 1,000 weekly reviews from our customer surveys.

Prezzo actively follows up on key themes arising from these reviews and they are used to inform decision making.

Suppliers and Landlords
The interests of our suppliers include the long-term success of Prezzo, with fair terms and conditions, including payment terms and long-term partnerships

We are proud of the relationships that we have with our suppliers and landlords and we pro-actively work with them to unlock opportunities and address challenges.

Communities and environment
The Interests of our communities include employment drawn from the communities in which we live, effective consultation and communication, and a commitment to sustainability. Our restaurants sit proudly in their local communities and we are mindful of the responsibility this bestows upon us.

Prezzo is committed to reducing our burden on the environment through energy and waste reduction, and has been proud to win the 'Green Apple' recycling award, hosted by The Green Organisation, for our commitment to recycling which is one of many initiatives as part of this commitment.

Shareholders
The interest of our shareholders include robust financial accounts, sound investment and capital allocation, profitable growth, and effective communication of strategy. A number of Directors on the Board are also representatives of shareholders, Cain International, which provides a direct opportunity to draw on their experience and to involve them in the creation and approval of our plans.

The Group reports to its shareholders on a regular basis in the form of financial statements, monthly board reports and meetings, and presentations on strategic plans.

This report is made in accordance with a resolution of Directors.

On behalf of the Directors

Dean Challenger
Chief Executive Officer

6 March 2024

Prezzo Investco Limited
Directors' report
For the period ended 1 January 2023

The directors present their report, together with the audited consolidated financial statements, on the Group for the period ending 1 January 2023.

Incorporation
Prezzo Investco Limited (the "Company") is a private limited company limited by shares, incorporated in England and Wales and registered on 21 January 2021.

Results & Dividends
The group statement of comprehensive income shows a loss for the financial period of £31,558k (2021: loss of £23,435k). Operating loss of £29,750k (2021: loss of £22,280k) includes a number of non-recurring items and significant non-cash charges in relation to provisions made for onerous leases and impairment of fixed assets and property lease premium assets. Adjusted EBITDA for the period was a loss of (£4,975k) (2021: £4,364k) as reconciled on page 5.

The directors do not recommend the payment of a dividend.

Future developments
An indication of future developments is included on page 5 of the strategic report as part of events since period end.

Charitable donations
The Group made charitable donations of £121k during the period (2021: £1.6k). The Group did not make any political donations during the period.

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

Jonathan Goldstein
Dean Challenger
Joseph Stelzer
Adam Taylor
Karen Jones (resigned 30 September 2022)

Financial risk management
The Group's activities expose it to a variety of financial risk – foreign exchange risk, credit risk, liquidity risk, cashflow risk, interest rate risk, and price risk. The Group's overall risk management focuses on minimising potential adverse effects on the Group's financial performance as detailed below.

Foreign exchange risk
The Group operates solely in the UK and is not susceptible to foreign exchange risk in the normal course of trading. Foreign exchange risk may however arise from commercial transactions as the Group purchases certain goods and commodities commonly priced in international currencies. Where this is the case, the Group seeks to put in place fixed price contracts in GBP to hedge this exposure.

Credit risk
The Group has no significant concentrations of credit risk. The nature of its operations results in a large and diverse customer base and significant proportion of sales are made through debit and credit cards, along with a much smaller proportion made through cash transactions.

Liquidity risk
The Group manages its exposure to liquidity risk through a naturally low level of debtors, and proactively and closely monitoring cashflow. The Directors have also received a letter of support, as described within the Strategic Report.

Interest rate risk
The Group is not significantly impacted by interest rate risk with the only borrowings relating to shareholder loans that have a fixed interest rate.

Price risk
The Group is exposed to the variability in the price of commodities used in the running of our restaurants, including ingredients and utilities. The Group mitigates this risk by entering into price negotiations with suppliers to fix and reduce costs where possible. This includes price risk for purchased energy which is mitigated through a hedging strategy of fixed and flexible price arrangements.

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.

The Group operates Listening Forums to actively solicit the opinions and thoughts of our teams in Restaurants. In addition, the Group undertakes an all-employee engagement survey in order to measure and track sentiment across key topics.

We provide all of our teams from restaurant management through to support centre team with information on weekly results, company strategy, and key initiatives; through a combination of in person and virtual broadcasts. In addition, regular newsletters, and posts on our internal communication platform "Tutto" keep all employees actively engaged and up to date.

Bonus schemes for restaurant management and support centre employees are in place, alongside competitions and incentives for all restaurant staff – as a sign of our commitment to reward our teams and confidence in our ongoing financial position.

Applications from disabled persons are given full consideration for positions suited to their own particular abilities where appropriate openings exist. 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.

Going concern
The financial statements have been prepared on a going concern basis, which assumes the Group will be able to meet its liabilities as and when they fall due from the date of approval of the financial statements through to 31 March 2025. At 1 January 2023, the Group has net current liabilities of £35.1m (2021: £18.5m) and net liabilities of £36.8m (2021: £7.4m). The Group's current liabilities as at the balance sheet date predominantly relate to shareholder loan notes from its parent company, Jampurchaseco Limited. The Directors have assessed the going concern period under assessment to be the period from the date of approval of the financial statements through to 31 March 2025 (the "going concern period").

The Directors have undertaken a robust and comprehensive going concern assessment using cash flow forecasts up to 31 March 2025, in order to conclude that the Group has the ability to trade as a going concern. The Directors have considered the Group's financing arrangements, trading patterns, trading risks and also the letter of support received from the immediate parent, Jampurchaseco Limited and its indirect parent, Cain International LP, covering the going concern period as part of their going concern assessment.

The forecasts upon which the going concern assessment is performed start with the Board approved budget for financial year 2024. The Board approved budget considers the trading environment and macro-economic pressures and uncertainties within which the company operates as well as actions management can take to mitigate any downside to forecasts. It also considers known benefits to energy pricing contracts and opportunities for growth.

For the going concern assessment, the Directors have then considered a number of downside scenarios including a reverse stress test, where the Group would not have sufficient cash to meet its liabilities during the going concern assessment period in regard to current cash levels. In these scenarios, revenue decline assumptions are made along with its impact on related expenses. Mitigations, for example, cost reduction and a reduction in capital expenditure are considered which the directors believe are within their remit to action. The reverse stress test has considered scenarios whereby costs increase at the same time as revenue declines. The Directors have considered the probability of each scenario and concluded that under certain severe but plausible downside scenarios, the Group would be required to draw upon the support provided by Cain International LP. The Directors have also considered a further level of testing to assess the sufficiency of the support provided by Cain International LP in their assessment. The Directors conclude that the reverse stress test scenarios are considered remote and therefore, the level of support provided of £5m is sufficient to enable the directors to conclude that the going concern basis of preparation is appropriate. In performing their assessment, the Directors have considered the ability of Cain International LP to provide the financial support required.

The Group has received confirmation from its parent company, Jampurchaseco Limited, and its other shareholders that it will not demand repayment of the shareholder loans (£17.9 million) including any interest accrued at 1 January 2023 (£2.7 million) and any interest accruing during the going concern period, until 31 March 2025 unless the Group is in a position to repay any amounts called upon.

The Directors of the Group are confident that its direct and indirect shareholders will continue to fund the cash requirements if the Group is not able to fund such requirements. The Directors have made sufficient enquiries to be confident that the shareholders could provide support throughout the going concern period. This is evidenced by the provision of a letter of support to the Directors of the Group (capped at £5m) from Cain International LP, which in turn is supported by other indirect shareholders. This is consistent with their historical track record; shareholders of the Cain International LP group of which the Group is a subsidiary, have provided financial support to the Group since its formation and through the Restructuring Plan which was approved by the High Court on 05 July 2023.

The Directors believe that the quantum of support provided to the Group is sufficient to cover all cash requirements including in the event of severe but plausible circumstances. The letter of support is not a guarantee or form financial commitment, however, the directors believe that the risk that the shareholders will not provide support is remote and the Group's trading performance post approval of the Restructuring Plan has not currently required the parent to extend any further funds to the Group.

As a result, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Directors, therefore, consider it appropriate to prepare the Group's annual financial statements on a going concern basis.

Streamlined Energy and Carbon Reporting

The Companies (Directors Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 implement the government's latest policy on Streamlined Energy and Carbon Reporting ("SECR"). Prezzo is a "large unquoted company" under the SECR regulations and must report its greenhouse gas emissions under scopes 1, 2 and 3.

The reporting period aligns with the period ending 1 January 2023 and the financial control approach has been used to define the scope.

Prezzo has 148 locations at 1 January 2023 and one support centre location.

Scope	**Description**	**Fuels**	**2022 Tonnes of CO_2e**	**2021 Tonnes of CO_2e**
Scope 1	Combustion of fuel on site	On Site: Natural Gas	4,207	3,908
Scope 2	Purchased Energy	Electricity – Location Based	4,565	3,755
Scope 3	Supply chain emissions	Business travel fuel	362	206
Total			**9,134**	7,869
Intensity ratio	tCO2E/£1m Turnover	Location Based	65	81
Energy usage	Total kWh consumed ('000)	Natural Gas, Electricity	44,642	36,936

Methodology

Scope 1
Emissions have been calculated using monthly gas consumption data covering total kWh gas consumption for the year. The total calculated consumption was converted to tCO2e emissions using conversion factors from the government DEFRA conversion table spreadsheet.

Scope 2
Emissions have been calculated using an electric consumption data covering total kWh electrical consumption for the year in 140 metered sites. This has been extrapolated pro-rata to site revenue across all trading sites for the year. This estimated total consumption was converted to tCO2e emissions using conversion factors from the government DEFRA conversion table spreadsheet.

Scope 3
Emissions have been calculated using mileage incurred by personal/hire cars and motorcycle for business purposes. Total mileage used for each category of fuel was converted to tCO2e emissions using conversion factors from the government DEFRA conversion table spreadsheet.

Energy Efficiency Actions Taken
Prezzo commenced on a series of energy monitoring and reduction actions prior to the pandemic but which were interrupted with the disruption caused by the COVID-19 pandemic. The Group has plans to recommence this project starting with the reimplementation of sub-metering and granular data collection following the appointment of new energy brokers in April 2022.

A trial site was launched operating solely on electricity, reducing the use of Natural Gas which is used within the kitchens of the rest of the Estate.

Indemnity of Directors
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.

Disclosure of information to the auditors
So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Directors and the Group's auditor, each Director has taken all the steps that they are obliged to take as a Director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Directors' responsibilities statement
The Directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

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

Independent auditors
The independent auditors, Ernst & Young LLP, were appointed auditors to the Group and in accordance with Section 485 of the Companies Act 2006, a resolution to re-appoint them will be proposed at the annual general meeting.

This report is made in accordance with a resolution of Directors.

On behalf of the Directors

Dean Challenger
Chief Executive Officer

6 March 2024

Prezzo Investco Limited
Independent auditor's report to the members of Prezzo Investco Limited
For the period ended 1 January 2023

OPINION

We have audited the financial statements of Prezzo Investco Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 1 January 2023 which comprise Group Statement of Comprehensive Income, Group Statement of Financial Position, Parent Company Statement of Financial Position, Group Statement of Changes in Equity, Parent Company Statement of Changes in Equity, Group Statement of Cashflows and the related notes 1 to 35, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).
In our opinion, the financial statements:

- give a true and fair view of the group's and of the parent company's affairs as at 1 January 2023 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period up to 31 March 2025.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

OTHER INFORMATION

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement set out on page 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 parent 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 parent company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S 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 auditor's 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.
Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are (1) those that directly affect the financial statements, in particular the financial reporting framework (FRS 102 The Financial Reporting Standard applicable in the UK, the Companies Act 2006 and direct and indirect tax legislation and (2) those that indirectly affect the financial statements where non-compliance would have a material effect on the financial statements, including those relating to health and safety, environmental matters, employee welfare and protection, data protection, and bribery and corruption, including anti money laundering.
- We understood how Prezzo Investco Limited is complying with those frameworks by making regular enquiries of Senior Management regarding any non-compliance with laws and regulations, and any Whistle-blower complaints. We have corroborated these discussions by inspecting all the board minutes to date, and management's procedures to prevent and detect breaches. We also reviewed the Prezzo code of conduct handbook.

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by in particular (1) the risk that management may be in a position make inappropriate accounting entries, (2) the risk of bias in accounting estimates and judgments such as the impairment of fixed assets and recognition of onerous lease provisions and (3) the risk of management override through assessing improper recognition of revenue by manual journal entries. Our fraud risk assessment including enquiring of management, and inspection of documentation, as to the company's policies and procedures to prevent and detect fraud, as well as to whether they have any knowledge of suspected or alleged fraud together with reading Board minutes and using analytical procedures to identify unusual or unexpected relationships in the financial information. Our procedures in respect of the identified fraud risks included:
    - Reviewing the pattern of revenue around year end to identify any unusual activity, and testing a sample of revenue transactions in the last week of the year and the first week of 2023 to supporting documentation from the respective restaurant till system. We also performed a correlation test of revenue to cash with a high correlation between revenue and cash given this is largely a cash (or card) based business. In addition to this, we perform journal entry testing with specific consideration to manual journals impacting revenue.
    - Challenging, and using specialists where appropriate, the methods and key inputs into impairment of fixed assets and onerous lease provisions.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved journal entry testing with a focus on journals which met our risk criteria based on our understanding of the business and the assessed fraud risks, focusing on manual journals to revenue, as well as manual journals around year end. We have inspected board minutes after year end and have held discussions with Senior Management on the compliance with laws and regulations.

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

USE OF OUR REPORT

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

LLP

David Wilson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
6 March 2024

Prezzo Investco Limited
Group statement of comprehensive income
For the period ended 1 January 2023

	Note	2022 £'000	2021 £'000
Revenue	4	134,696	94,949
Cost of sales		(86,739)	(65,348)
Gross profit		47,957	29,601
Profit on disposal of assets		872	(93)
Other income	5	650	9,159
Administrative expenses		(59,027)	(38,540)
Exceptional items	8	(760)	(3,758)
Impairment charge on tangible fixed assets	13	(7,140)	(11,761)
Impairment on lease premium assets	19	(2,832)	-
Onerous lease provision	22	(9,470)	(6,888)
Operating loss	6	(29,750)	(22,280)
Finance expenses	7,21	(1,808)	(1,155)
Loss before income tax charge		(31,558)	(23,435)
Income tax charge	12	-	-
Loss after income tax charge for the period attributable to the owners of Prezzo Investco Limited		(31,558)	(23,435)
Other comprehensive income for the period, net of tax		-	-
Total comprehensive loss for the period attributable to the owners of Prezzo Investco Limited		(31,558)	(23,435)

All results are derived from continuing operations.

The notes to these accounts from page 24 to 42 form an integral part of these financial statements.

Prezzo Investco Limited
Group statement of financial position
As at 1 January 2023

	Note	2022 £'000	2021 £'000
Fixed assets			
Tangible assets	13	14,641	18,073
Total fixed assets		14,641	18,073
Current assets			
Stock	16	1,202	1,056
Debtors - amounts falling due within one year	17	5,708	5,641
Debtors - amounts falling due after more than one year	18	640	3,260
Cash and cash equivalents	20	5,797	5,429
Total current assets		13,347	15,386
Current liabilities			
Creditors: amounts falling due within one year	21	(48,418)	(33,882)
Total current liabilities		(48,418)	(33,882)
Net current liabilities		(35,071)	(18,496)
Total assets less current liabilities		(20,430)	(423)
Non-current liabilities			
Provisions	22	(16,416)	(6,946)
Total non-current liabilities		(16,416)	(6,946)
Net liabilities		(36,846)	(7,369)
Equity			
Called up share capital	23	11	11
Merger reserve	24,34	15,332	15,332
Share-based payment reserve	24	2,804	723
Retained loss	24	(54,993)	(23,435)
Total (deficit)/equity		(36,846)	(7,369)

Prezzo Investco Limited's registered number is 13150097.

The notes to these accounts from page 24 to 42 form an integral part of these financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Dean Challenger
Chief Executive Officer

6 March 2024

Prezzo Investco Limited
Parent company statement of financial position
As at 1 January 2023

	Note	2022 £'000	2021 £'000
Current assets			
Debtors - amounts falling due within one year	17	159	9,607
Cash and cash equivalents	20	505	5
Total current assets		664	9,612
Current liabilities			
Creditors: amounts falling due within one year	21	(23,921)	(18,059)
Total current liabilities		(23,921)	(18,059)
Net current liabilities		(23,257)	(8,447)
Total assets less current liabilities		(23,257)	(8,447)
Net liabilities		(23,257)	(8,447)
Equity			
Called up share capital	23	11	11
Share-based payment reserve	24	2,804	723
Retained loss	24	(26,072)	(9,181)
Total (deficit)/equity		(23,257)	(8,447)

Prezzo Investco Limited's registered number is 13150097.

The notes to these accounts from page 24 to 42 form an integral part of these financial statements.

The Directors have taken exemption provided by Section 408 of the companies Act 2006 and have not presented a profit and loss account for the Company. The loss after tax for the year of the company was £16,891k (2021: £9,181k).

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

Dean Challenger
Chief Executive Officer

6 March 2024

Prezzo Investco Limited
Group statement of changes in equity
For the period ended 1 January 2023

Group	Issued capital £'000	Merger reserve £'000	Share-based payment reserve £'000	Retained loss £'000	Total deficit £'000
Balance at 21 January 2021	-	-	-	-	-
Loss after income tax charge for the period	-	-	-	(23,435)	(23,435)
Total comprehensive loss for the period	-	-	-	(23,435)	(23,435)
Share-based payments (note 26)	-	-	723	-	723
Shares issued (see note 23)	11	-	-	-	11
Group reconstruction (see note 34)	-	15,332	-	-	15,332
Balance at 2 January 2022	11	15,332	723	(23,435)	(7,369)

Group	Issued capital £'000	Merger reserve £'000	Share-based payment reserve £'000	Retained loss £'000	Total deficit £'000
Balance at 3 January 2022	11	15,332	723	(23,435)	(7,369)
Loss after income tax charge for the period	-	-	-	(31,558)	(31,558)
Total comprehensive loss for the period	-	-	-	(31,558)	(31,558)
Share-based payments charge (note 26)	-	-	2,081	-	2,081
Balance at 1 January 2023	11	15,332	2,804	(54,993)	(36,846)

The notes to these accounts from page 24 to 42 form an integral part of these financial statements.

Prezzo Investco Limited
Parent company statement of changes in equity
For the period ended 1 January 2023

Company	Issued capital £'000	Merger reserve £'000	Share-based payment reserve £'000	Retained loss £'000	Total deficit £'000
Balance at 21 January 2021	-	-	-	-	-
Loss after income tax charge for the period	-	-	-	(9,181)	(9,181)
Total comprehensive loss for the period	-	-	-	(9,181)	(9,181)
Shares issued (see note 23)	11	-	-	-	11
Share-based payments (note 26)	-	-	723	-	723
Balance at 2 January 2022	11	-	723	(9,181)	(8,447)

Company	Issued capital £'000	Merger reserve £'000	Share-based payment reserve £'000	Retained loss £'000	Total deficit £'000
Balance at 3 January 2022	11	-	723	(9,181)	(8,447)
Loss after income tax charge for the period	-	-	-	(16,891)	(16,891)
Total comprehensive loss for the period	-	-	-	(16,891)	(16,891)
Shares issued (see note 23)	-	-	-	-	-
Share-based payments (note 26)	-	-	2,081	-	2,081
Balance at 1 January 2023	11	-	2,804	(26,072)	(23,257)

The notes to these accounts from page 24 to 42 form an integral part of these financial statements.

Prezzo Investco Limited
Group statement of cash flows
For the period ended 1 January 2023

	Note	2022 £'000	2021 £'000
Cash flows from operating activities			
Loss after tax		(31,558)	(23,435)
Depreciation of tangible fixed assets	13	2,831	3,051
Impairment of tangible fixed assets	13	7,140	11,761
Impairment of lease premium assets	19	2,832	-
(Profit)/loss on disposal of tangible fixed assets		(872)	93
Interest payable charge on loans from shareholders		1,829	1,165
Interest receivable from loans due from parent undertaking		(22)	-
Increase in stock		(146)	(514)
Increase in debtors		(257)	(8,773)
Increase in creditors		8,707	13,602
Increase in provisions	22	9,470	6,895
Share-based payments charge	26	2,081	723
Net cash from operating activities		2,035	4,568
Cash flows from investing activities			
Cash paid on acquisition of trade and assets	34	-	(2,640)
Purchase of tangible fixed assets	13	(6,542)	(5,784)
Issue of loan to parent undertaking	17	-	(130)
Proceeds from disposal of tangible assets		875	-
Net cash used in investing activities		(5,667)	(8,554)
Cash flows from financing activities			
Proceeds from issue of shares	23	-	11
Proceeds from loans with parent undertaking	21	4,000	10,036
Repayment of loans to parent undertaking	21	-	(606)
Interest paid		-	(26)
Net cash from financing activities		4,000	9,415
Net (decrease)/ increase in cash and cash equivalents		368	5,429
Cash and cash equivalents at 2 January 2022		5,429	-
Cash and cash equivalents at the end of the financial period	20	5,797	5,429

The notes to these accounts from page 24 to 42 form an integral part of these financial statements.

1. General information

Prezzo Investco Limited is a private company limited by shares incorporated in the UK, and registered in England & Wales. The Company was incorporated on 21 January 2021. The registered office is 116 Upper Street, London, England, N1 1QP. The registered of the Company number is 13150097.

The Company's functional and presentational currency is GBP. Amounts in this report have been rounded to the nearest thousand pounds, or in certain cases, the nearest pound.

2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted
The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Financial Reporting Council ('FRC') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation
These financial statements were prepared in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006. The Company has taken advantage of the exemption under Section 408 of the Companies Act 2006 from presenting its own profit and loss account.

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for the revaluation of financial assets and liabilities at fair value through profit or loss or other comprehensive income, where applicable and share based payments.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's and Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of the subsidiary of Prezzo Investco Limited ('Company' or 'parent entity') as at 1 January 2023 and the results of the subsidiary for the period then ended. Prezzo Investco Limited and its subsidiary, Prezzo Trading Limited, together are referred to in these financial statements as the 'Group'.

A subsidiary is an entity 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 affect those returns through its power to direct the activities of the entity. A subsidiary is fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. The accounting policies of Prezzo Trading Limited aligned with the Group to ensure consistency with the policies adopted by the Group.

Interests in subsidiaries are accounted for at cost, less any impairment, in the parent entity. Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

2. Significant accounting policies (continued)

Going concern
The financial statements have been prepared on a going concern basis, which assumes the Group will be able to meet its liabilities as and when they fall due from the date of approval of the financial statements through to 31 March 2025. At 1 January 2023, the Group has net current liabilities of £35.1m (2021: £18.5m) and net liabilities of £36.8m (2021: £7.4m). The Group's current liabilities as at the balance sheet date predominantly relate to shareholder loan notes from its parent company, Jampurchaseco Limited. The Directors have assessed the going concern period under assessment to be the period from the date of approval of the financial statements through to 31 March 2025 (the "going concern period").

The Directors have undertaken a robust and comprehensive going concern assessment using cash flow forecasts up to 31 March 2025, in order to conclude that the Group has the ability to trade as a going concern. The Directors have considered the Group's financing arrangements, trading patterns, trading risks and also the letter of support received from the immediate parent, Jampurchaseco Limited and its indirect parent, Cain International LP, covering the going concern period as part of their going concern assessment.

The forecasts upon which the going concern assessment is performed start with the Board approved budget for financial year 2024. The Board approved budget considers the trading environment and macro-economic pressures and uncertainties within which the company operates as well as actions management can take to mitigate any downside to forecasts. It also considers known benefits to energy pricing contracts and opportunities for growth.

For the going concern assessment, the Directors have then considered a number of downside scenarios including a reverse stress test, where the Group would not have sufficient cash to meet its liabilities during the going concern assessment period in regard to current cash levels. In these scenarios, revenue decline assumptions are made along with its impact on related expenses. Mitigations, for example, cost reduction and a reduction in capital expenditure are considered which the directors believe are within their remit to action. The reverse stress test has considered scenarios whereby costs increase at the same time as revenue declines. The Directors have considered the probability of each scenario and concluded that under certain severe but plausible downside scenarios, the Group would be required to draw upon the support provided by Cain International LP. The Directors have also considered a further level of testing to assess the sufficiency of the support provided by Cain International LP in their assessment. The Directors conclude that the reverse stress test scenarios are considered remote and therefore, the level of support provided of £5m is sufficient to enable the directors to conclude that the going concern basis of preparation is appropriate. In performing their assessment, the Directors have considered the ability of Cain International LP to provide the financial support required.

The Group has received confirmation from its parent company, Jampurchaseco Limited, and its other shareholders that it will not demand repayment of the shareholder loans (£17.9 million) including any interest accrued at 1 January 2023 (£2.7 million) and any interest accruing during the going concern period, until 31 March 2025 unless the Group is in a position to repay any amounts called upon.

The Directors of the Group are confident that its direct and indirect shareholders will continue to fund the cash requirements if the Group is not able to fund such requirements. The Directors have made sufficient enquiries to be confident that the shareholders could provide support throughout the going concern period. This is evidenced by the provision of a letter of support to the Directors of the Group (capped at £5m) from Cain International LP, which in turn is supported by other indirect shareholders. This is consistent with their historical track record; shareholders of the Cain International LP group of which the Group is a subsidiary, have provided financial support to the Group since its formation and through the Restructuring Plan which was approved by the High Court on 05 July 2023.

The Directors believe that the quantum of support provided to the Group is sufficient to cover all cash requirements including in the event of severe but plausible circumstances. The letter of support is not a guarantee or form financial commitment, however, the directors believe that the risk that the shareholders will not provide support is remote and the Group's trading performance post approval of the Restructuring Plan has not currently required the parent to extend any further funds to the Group.

As a result, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Directors, therefore, consider it appropriate to prepare the Group's annual financial statements on a going concern basis.

2. Significant accounting policies (continued)

Revenue recognition
Revenue is recognised when it is probable that the economic benefit will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable (net of VAT, discounts and voluntary gratuities left by customers for the benefit of employees).

Sale of goods and services
Revenue is recognised at the point of delivery of goods and services to retail customers which reflects the fulfilment of the Company's performance obligations.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Government grants
Income received by way of government grants are recognised as income as and when the right to the income has been granted.

Operating leases
Rentals payable under operating leases are charged to the profit and loss account on a straight-line basis over the period to the lease break date. Lease incentives are recognised over the non-cancellable period of the lease on a straight-line basis.

Foreign currencies
Transactions in foreign currencies are initially recorded in the Group or Company's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the statement of comprehensive income.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and adjustments recognised for prior periods.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted.
Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Property lease premiums
Property lease premiums paid to enter into operating lease agreements are initially recognised at cost, and then amortised over the life of the lease. Where an indication of impairment exits at the balance sheet date then the premiums are assessed for impairment along with the tangible fixed assets of each cash generating unit.

Stock
Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable. Net realisable value is the estimated selling price in the ordinary course of business less the further costs to be incurred and the estimated costs necessary to make the sale.

2. Significant accounting policies (continued)

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand. It also includes cash receivable on debit or credit cards, where the transaction has been authorised, but the funds have yet to clear the bank. Such balances are considered highly liquid with minimal risk of default and typically funds are received in less than 3 days. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Financial instruments
Financial assets and financial liabilities are recognised on the Balance Sheet when the Group or Company becomes a party to the contractual provisions of the instrument. The Group or Company's financial assets and liabilities comprise trade and other debtors, cash and cash equivalents, trade and other creditors and interest-bearing loans. The accounting policies for these items are described below.

Trade and other debtors
Trade and other debtors are classified as basic financial instruments and measured at initial recognition at transaction price. A provision is established when there is objective evidence that the Group or Company will not be able to collect all amounts due.

Investments
Investments includes non-derivative financial assets with fixed or determinable payments and fixed maturities where the Group or Company has the positive intention and ability to hold the financial asset to maturity. This category excludes financial assets that are held for an undefined period. Investments are carried at amortised cost using the effective interest rate method adjusted for any principal repayments. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Trade and other creditors
Basic financial liabilities including trade and other payables and interest-bearing loans and borrowing are classified as basic financial instruments, and initially recognised at transaction price.

Basic financial liabilities, other than short term payables, are subsequently carried at amortised cost, using the effective interest rate method. The effective interest rate amortisation is included in interest payable and similar expenses in the income statement.

Short term trade and other payables with no stated interest rate which are payable within one year are recorded at transaction price.

Tangible fixed assets
Plant and equipment is stated at cost less accumulated depreciation and impairment. The cost of tangible fixed assets includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the cost of each item of tangible fixed assets over their expected useful lives as follows:

Leasehold improvements	Over term of the lease, up to 25 years
Kitchen equipment	10 years
Fixtures and fittings	10 years
Computer equipment	3 years
Other equipment	10 years

An item of tangible assets is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Impairment of non-financial assets
The Group assesses at each reporting date whether an asset may be impaired. If any such indication exists the Group estimates recoverable amount of the cash generating unit. The recoverable amount of a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment in profit and loss.

2. Significant accounting policies (continued)

Finance expenses
Finance expenses attributable to qualifying assets are capitalised as part of the asset. All other finance expenses are expensed in the period in which they are incurred.

Provisions
Provisions are recognised when the Group or Company has a present (legal or constructive) obligation as a result of a past event, it is probable the Group or Company will be required to settle the 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 reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost. Provisions made in respect of certain property costs are outlined in note 22.

Pensions
The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid, the Group has no further payment obligations.

Contributions to defined contribution pension plans are expensed in the period in which they are incurred. Amounts not paid are shown in other creditors as a current liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

Share-based payments
Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions is measured at fair value on grant date less any subscription price paid by the employee toward the shares. Fair value is independently determined using the Monte-Carlo pricing model that takes into account the expected vesting period, the expected dividend yield and the risk-free interest rate for the vesting period, asset volatility and the anticipated Enterprise Value as at the valuation date.

The cost of equity-settled transactions is recognised as an expense in the statement of comprehensive income with a corresponding increase in equity over the vesting period. The cumulative expense to statement of comprehensive income is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in statement of comprehensive income for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

If a participant's employment is terminated and such participant is considered a bad leaver, then Prezzo will acquire the E shares from such participant, and this will be treated as a forfeiture of the share-based awards. Any share-based payment expense recognised in respect of that participant is reversed through the statement of comprehensive income.

If a participant's employment is terminated and such participant is considered a good leaver, any share-based payment expense that has not yet been recognised will be recognised in the statement of comprehensive income on the date that the participant becomes a good leaver.

Where employees are granted replacement awards at the termination of employment, the replacement awards are treated as fully vested on the date of grant of such replacement awards. The total share-based payment expense related to such replacement awards is immediately recognised in the statement of comprehensive income on the date of vesting of such replacement awards.

Where shares from leavers are subsequently issued to another participant, the fair value of the E shares will be determined at the date they are transferred to the new participant.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

2. Significant accounting policies (continued)

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Called up share capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Business combinations and group reconstructions
The nature of a business combination or a group reconstruction transaction is assessed before concluding on the basis to account for such a transaction. Depending on the nature of the transaction and the criteria in Section 19 of FRS 102, the transaction will either be accounted for under the acquisition method of accounting or merger method of accounting.

Where the acquisition method of accounting is used, all assets and liabilities acquired are recognised at fair value, with any surplus paid being recognised as Goodwill.

A common control business combination or other transaction may meet the criteria of a Group reconstruction. In such instances where these criteria are met, the transaction can be accounted for under the merger accounting method. The following criteria are considered before concluding if this approach can be taken:

- the use of the merger accounting method is not prohibited by company law or other relevant legislation;
- the ultimate equity holders remain the same, and the rights of each equity holder, relative to the others, are unchanged; and
- no non-controlling interest in the net assets of the group is altered by the transfer.

For a common control transaction that is in substance a continuation of an existing business and that does not meet the definition of a business combination in FRS 102, the merger method of accounting is used.

When the merger method of accounting is used, the assets and liabilities acquired are recognised at their previous carrying value. Any excess amounts between the assets acquired and the consideration paid will be recognised within the Merger Reserve.

3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payments (Critical accounting estimate)
The company operates a management incentive plan which is accounted for as an Equity Settled Share Based Payment as detailed in note 26. The fair value at grant date is estimated using an external valuation under a Monte-Carlo model, considering the terms and conditions upon which the shares are awarded and uses estimates in relation to the expected vesting period, discount rate, dividend yield, risk-free interest rate for the vesting period, asset volatility and the anticipated Enterprise Value as at the valuation date.

The Directors have used estimates in determining the number of expected leavers under the scheme and have made an assessment based on expectations of the number of leavers using historic staff turnover rates and as a result used an attrition rate of 58% (FY21: 58%) in respect of scheme participants.

The Group and company recognised a share-based payment charge of £2,081k (2021: £723k) in the period.

3. Critical accounting judgements, estimates and assumptions (continued)

Useful lives of assets (Critical accounting estimate)
The Group determines the estimated useful lives and related depreciation charges for its tangible assets. The depreciation charge will increase where the useful lives are less than previously estimated lives.

The Group incurred a depreciation charge during the period of £2,831k (2021: £3,051k) (note 13).

Impairment of tangible fixed assets and lease premium assets (Critical accounting estimate)
The Group assesses impairment of tangible assets and lease premium assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. The recoverable amount is usually determined to equal the value in use of the assets, which is calculated using the expected future forecasts of the businesses cash generating units, which are then discounted to present value. The forecasts used, along with the discount rate applied incorporates a number of estimates and judgements that are uncertain.

The Group incurred an impairment charge during the period of £7,140k (2021: £11,761k) in relation to tangible fixed assets and £2,832k (2021: £nil) in relation to lease premium assets. See note 13 and note 19 respectively.

Onerous lease provision (Critical accounting estimate)
The onerous lease provision includes a number of assumptions including the risk-free rate applied to future cashflows, the expected period at which a sublease or disposal could be achieved, the possible trading figures or sublet value which will mitigate the rent exposure, and the likelihood of default of those business who have taken on a sub-let or assignment where the risk could fall back to the business.

Recognition of deferred tax assets (Key judgement)
Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Share-based payments (Key judgement)
The management incentive plan is accounted for as equity settled, the terms of which are detailed in note 26. The terms of the scheme grant the A shareholder a call option to allow it to require scheme leavers to transfer their E shares to the A shareholder (or its nominee) in return for a cash payment. As this is not a right that the Group can choose to exercise, the Directors have concluded that the Group does not have a legal or constructive arrangement in this regard. On this basis the Directors have concluded that the management incentive plan should be accounted for as an equity-settled share-based payment arrangement.

In determining the amounts to recognise as a share-based payment expense, the Directors have considered whether an exit (as defined in the scheme rules) is considered probable and have concluded that it is. The Directors have then considered when such an exit might occur and have concluded that the earliest date when the exit might occur is December 2025 and have determined the vesting period of the share-based payment awards based on this date. Any shortening of the vesting period, for example if an exit event happened earlier, would result in an acceleration of the share-based payment expense.

Acquisition of trade and assets of Prezzo Limited (Key judgement)
The acquisition of the trade and assets of Prezzo from Prezzo Limited was treated as a Group Reconstruction as disclosed in note 34. This is considered a key judgement on the basis of the application of Group reconstruction accounting, notwithstanding minor changes to minority shareholders around the time of the group reconstruction. It is the view of the Directors that it remains appropriate to adopt Group Reconstruction accounting rather than treat this as a Business Combination, owing to the similar treatment within the parent entities of Prezzo Investco Limited, and the fact that the minority shareholder changes were incidental to, and planned prior to, the group reconstruction.

4. Revenue

	2022 £'000	2021 £'000
Restaurant sales	134,696	94,949

All revenue for the period was derived from sales in the United Kingdom.

5. Other income

	2022 £'000	2021 £'000
Rebate income	-	412
Rental income	38	49
Government grants	612	8,698
	650	9,159

Rebate income of £879k has been re-classified to cost of sales in the period.

Government grant income includes £nil (2021: £6,108k) claimed for furloughed employees under the Coronavirus Job Retention Scheme ("CJRS") and £612k (2021: £2,590k) claimed under Business Support grants.

6. Operating Loss before income tax charge

Operating loss is stated after charging:

	2022 £'000	2021 £'000
Depreciation of tangible fixed assets	2,831	3,051
Operating lease rentals	11,891	9,643
(Profit)/ Loss on disposal of tangible fixed assets	(872)	93
Impairment charge on tangible fixed assets	7,140	11,761
Onerous lease provision	9,470	6,888
Impairment of lease premium assets	2,832	-

7. Finance expenses

Finance expenses and other similar charges includes the following:

	2022 £'000	2021 £'000
Interest charge on shareholder loan notes	1,569	1,128
Interest on deferred consideration	239	-
Bank and other interest	-	27
	1,808	1,155

8. Exceptional items

Expenses incurred during 2022 that have been classified as exceptional items are summarised below:

	2022 £'000	2021 £'000
Employee take on costs for the pre-acquisition period	-	747
Redundancy and other employee costs relating to closed sites	-	656
Management restructuring [1]	341	-
Payments made to onboard suppliers	17	537
Estate restructuring [2]	242	217
Legal & professional fees associated acquisition	129	684
Lease assignment fees	31	917
	760	3,758

8. Exceptional items (continued)

[1] These are non-recurring fees in relation to the restructure of the Executive and Senior leadership team.

[2] Estate restructuring costs relate to costs associated with the administration of Prezzo Limited and closures costs of sites not continuing to trade under Prezzo trading Limited following the group reconstruction (see note 34).

9. Auditor's remuneration

	2022 £'000	2021 £'000
Fees payable to the company's auditor for the audit of the company's annual financial statements	365	390

No other services were provided by the Group's auditor during the period ended 1 January 2023.

Included within the amount of fees payable to the company's auditor for the audit of the company's financial statements is £150k (2021: £123k) borne by the company's intermediate parent undertaking, Cain International LP.

10. Average number of employees and employee benefits expense

The average number of employees during the period was as follows:

	2022	2021
Average number of employees	3,250	2,886

The employee benefits expense during the period was as follows:

	2022 £'000	2021 £'000
Wages and salaries	55,088	36,228
Social security costs	4,279	2,956
Contributions to defined contribution pension	805	540
Share-based payment charge	2,081	723
Total employee benefits expense	62,253	40,447

11. *Directors' remuneration*

	2022 £'000	2021 £'000
Aggregate remuneration	652	619
Aggregate amounts of contributions to pension schemes	1	1
Share-based payment charge	1,920	541
	2,573	1,161

	2022 £'000	2021 £'000
Highest paid Director - aggregate remuneration	389	290

Aggregate remuneration includes £150k relating to compensation amounts paid to a director in the year for loss of office. Furthermore, the share-based payment charges include forfeitures of £212k in the period as a result of the Directors loss of office.

12. Income tax

	2022 £'000	2021 £'000
Tax charge		
Current tax	-	-
Deferred tax	-	-
Tax on loss in the year	-	-

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 19%. The differences are explained below:		
Loss before tax	(31,558)	(23,435)
Tax on loss at standard rate of corporation tax in the UK of 19% (2021: 19%)	(5,996)	(4,453)
Expenses not deductible	1,560	(1,724)
Effects of Group relief	-	70
Super deduction	-	(198)
Deferred tax not provided	4,436	6,305
	-	-

The Group has unrecognised deferred tax assets in respect of capital allowances totalling £19,062k (2021: £18,224k) and other unrecognised deferred tax assets totalling £6,249k (2021: £2,777k). As the Group does not expect sufficient taxable profits in the foreseeable future, these deferred tax assets have not been recognised as at 1 January 2023.

Factors affecting future tax charges
The corporation tax rate for the year ending 1 January 2023 will remain at 19%. However, from 1 April 2023, the corporation tax rate will increase 25% applying to all profits over £250k.

13. Tangible assets

	Leasehold Improvements £'000	Kitchen Equipment £'000	Fixtures and Fittings £'000	Computer Equipment £'000	Other Equipment £'000	Total £'000
Cost						
At 3 January 2022	49,905	5,508	4,290	2,259	1,987	63,949
Additions	2,440	1,610	945	1,401	146	6,542
Disposals	(680)	(64)	(75)	(10)	(25)	(854)
At 1 January 2023	51,665	7,054	5,160	3,650	2,108	69,637
Depreciation and impairment						
At 3 January 2022	(37,234)	(3,932)	(2,691)	(839)	(1,180)	(45,876)
Depreciation charge for period	(1,271)	(242)	(206)	(1,039)	(73)	(2,831)
Impairment charge for period	(4,144)	(749)	(581)	(1,492)	(174)	(7,140)
Disposals	16	1	1	1	1	20
Impairment reversed on disposal	663	61	73	9	25	831
At 1 January 2023	(41,970)	(4,861)	(3,404)	(3,360)	(1,401)	(54,996)
Carrying amount						
At 1 January 2023	**9,695**	**2,193**	**1,756**	**290**	**707**	**14,641**
At 2 January 2022	**12,671**	**1,576**	**1,599**	**1,420**	**807**	**18,073**

13. Tangible assets (continued)

A review for impairment is performed when an indicator of impairment exists. The Group determines that individual restaurants are Cash Generating Units "CGU's" when assessing impairments. As of the impairment test date, 1 January 2023, it has been deemed that an indicator of impairment may exist for all CGUs, and accordingly, all CGUs have been tested for impairment.

The assets allocated to CGU's largely consist of leasehold improvements, as well as other tangible assets physically located at the site. The impairment of the carrying value of tangible fixed assets arises from an evaluation of individual restaurant performance, using forecasts considering the current market conditions faced by the business as outlined in note 2 of the accounts. The evaluation with of performance determines the recoverable amount of the assets, which is reviewed against the carrying value of the asset.

The impairment charge recognised in the period on tangible fixed assets was £7,140k (2021: £11,761k). and was primarily driven by the downturn in trade in 2022 that resulted from rising inflation, particularly within food and energy, and increased rates of interest impacting consumer spend and leading to higher costs. Impairment testing on the tangible fixed assets has been based on value in use projections discounted using the Group's weighted average cost of capital of 12% (2021: 12%) and overlaid with stress case sensitivities.

The impairment assessment contains a number of key judgements including the use of a discount factor (12%), and long-term growth rates applied (0%). The sensitivity analysis applied show that a reduction in revenue of 3.5% would give rise to a further £2.8m impairment charge whilst an increase or reduction of fixed costs of £1m in each year of the forecast would increase or decrease the impairment charge by £1.3m. An increase or decrease in the discount rate by 1% would increase or decrease the impairment charge by £0.1m.

Tangible assets with a carrying value of £14,641k (2021: £18,073k) are pledged as security for loan notes undertaken with the company's parent and other shareholders (see note 21).

14. Investments

An impairment review has been carried out using the same assumptions as documented within note 13. It was determined that an indicator of impairment still existed as at 1 January 2023 therefore no reversal of impairment was made. An impairment charge of £nil (2021: £8,169k) has been recognised in the period.

15. Subsidiary undertakings

The following are direct subsidiary undertakings of the Company:

Name	Registered office	Principal activity	Class of share	Holding
Prezzo Trading Limited	116 Upper Street London N1 1QP	UK Casual Dining Italian Restaurants	Ordinary	100%

The above subsidiary is a trading entity.

16. Stock

	2022 £'000	2021 £'000
Raw materials and consumables	1,202	1,056

No provisions against stock have been recognised in the period.

17. Debtors - amounts falling due within one year

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Trade debtors	615	836	-	-
Other debtors	427	696	-	-
Prepayments	4,166	3,447	7	-
Loans due from subsidiary	-	-	-	9,061
Loans due from parent undertaking	152	130	152	130
Property lease premium assets (note 19)	135	383	-	-
Accrued income	213	149	-	-
Interest receivable from subsidiary	-	-	-	416
	5,708	5,641	159	9,607

Other debtors represent deposits paid to landlords.

Within company debtors an impairment review on loans from Prezzo Trading Ltd has been carried out using the same assumptions as in note 13. As a result, loans due from subsidiary have been impaired in full. Impairment charge of £13,477k (2021: £nil) has been recognised in the period.

18. Debtors - amounts falling due after more than one year

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Property lease premium assets (note 19)	640	3,260	-	-

Debtors greater than one year represent unamortised lease premiums, which are amortised over the life of the rental leases.

19. Property Lease Premiums

	2022 £'000	2021 £'000
Cost		
At 2 January 2022	4,028	-
Additions	449	4,008
Disposals	(106)	-
At 1 January 2023	4,371	4,008
Amortisation		
At 2 January 2022	383	-
Charge for the period	402	363
Disposals	(21)	-
Impairment	2,832	-
At 1 January 2023	3,596	363
Net book value		
At 2 January 2022	3,645	-
At 1 January 2023	775	3,645

Property lease premiums are amortised over the life of the lease. An impairment charge of £2.8m was recognised in the period primarily driven by the downturn in trade in 2022 that resulted from rising inflation, particularly within food and energy, and increased rates of interest impacting consumer spend and leading to higher costs.

20. Cash and cash equivalents

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Cash and cash equivalents	5,797	5,429	505	5

21. Creditors: *amounts falling due within one year*

	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
Trade creditors	7,964	3,731	-	-
Other taxes and social security costs	5,043	2,452	-	-
Secured Loans Notes due to other shareholders	1,583	1,077	1,583	1,077
Secured Loans Notes due to parent undertaking	19,041	13,957	19,042	13,957
Deferred consideration	3,251	3,012	3,251	3,012
Other creditors	1,931	1,508	-	-
Accruals	9,181	7,434	45	13
Deferred income	424	711	-	-
	48,418	33,882	23,921	18,059

Refer to note 28 for further information on financial instruments.

The Group entered into a secured loan note facility on 10 February 2021 with the company's parent undertaking and other shareholders, totalling up to £14.5million. As at 1 January 2023, the total amount drawn against this facility was £17,918k (2021: £13,918k). The loan notes include a fixed repayment schedule with repayment due on 10 February 2027. In addition, the majority loan note holder has the right to repayment within 10 business days and as such the facility is presented within Current Liabilities. Interest is charged on the facility at a fixed rate of 8%, 12% or 23% and is compounded into the loan repayable.

As referred to in note 35, the shareholder loan note facility was increased by £4.4m from £24.5m to £28.9m in 2023. Three tranches of funding were received under this facility after the reporting date being £1.0m on 30 January 2023, followed by £1.4m on 19 May 2023 and £2.0m on 7 July 2023.

Deferred consideration

The deferred consideration provision relates to amounts expected to be paid to the previous shareholders of Prezzo Limited. The latest date in which the balance was due to be repaid was 31 December 2023. Interest on deferred consideration has been charged at 8% starting from December 2021. However, under the terms of the restructuring plan referred to in the Strategic report this liability has been released in full in 2023.

22. Provisions

Movements in each class of provision during the current financial period are set out below:

	Dilapidation provision £'000	Onerous lease provision £'000	Total provisions £'000
Carrying amount on 2 January 2022	58	6,888	6,946
Additional provisions recognised	-	9,470	9,470
Carrying amount on 1 January 2023	58	16,358	16,416

22. Provisions (continued)

Dilapidation provision

Dilapidation provision represents the present value of the estimated costs to make good the premises leased by the Group at the end of the respective lease terms.

Onerous lease provision

The onerous lease provision has been recognised in respect of loss-making sites. These provisions are based on the least net cost of fulfilling or exiting the contract. The cost of exiting lease contracts is estimated at the present value of expected surrender premiums or deficits from subletting at market rents, assuming that the Group can sublet properties at market rents, based on discounting at the appropriate risk adjusted rate. After applying a discount rate of 3.5% (2021: 2.75%), a provision of £9,470k (2021: £6,888k) has been recognized in the statement of comprehensive income. To reflect updated risk-free rate in the period discount rate has been changed from 2.75% to 3.5%, which led to the decrease in charge by £890k.

23. Called up share capital

Issued, called up and fully paid

	2022 Shares	Company 2021 Shares	2022 £'000	Company 2021 £'000
Shares allotted and issued	11,000	11,000	11	11

Within the allotted and issued shares are the following classes:

9000 A shares allotted, issued and fully paid with full voting rights;
200 B shares allotted, issued and fully paid with full voting rights;
300 C shares allotted, issued and fully paid with full voting rights;
500 D shares allotted, issued and fully paid with full voting rights;
1000 E shares allotted, issued and partially paid with no voting rights.

24. Reserves

Merger reserve
The reserve represents the excess assets acquired on business combinations that represents a group reconstruction and therefore is accounted for under the merger accounting method. See note 34 for more information.

Share-based payment reserve
The reserve represents the accumulated share-based payment charges incurred on shares in issue to employees and directors.

Retained loss
The reserve is used to recognise the accumulated profits and losses of the Group less any dividends paid.

25. Dividends

There were no dividends paid, recommended or declared during the current or previous financial period.

26. Share-based payments

Certain directors and employees of the Group are invited to purchase E Ordinary shares at a subscription price as part of a Management Incentive Plan (MIP). The subscription price is determined by a third-party fair valuation. The share-based awards are accounted for as an equity-settled share-based payment arrangement. The share-based awards vest unconditionally on the sale of the business and therefore the share-based payment charge is spread over the expected vesting period.

The MIP includes provisions for leavers and participants are required to pay the subscription price regardless of whether they are a good or bad leaver. Furthermore, the A shareholder is able to determine that leavers must sell their E shares back at £1 if deemed a bad leaver or at fair value if deemed to be a good leaver.

A reconciliation of share-based awards movements over the year to 1 January 2023 is shown below:

	Number of E shares 2022	**Weighted average subscription price 2022**	Number of E shares 2021	Weighted average exercise price 2021
Outstanding at the beginning of the financial period	870	£116.75	-	£0.00
Granted	160	£1,049.18	880	£116.75
Forfeited	(500)	£116.75	(10)	£116.75
Replacement awards	200	£116.75	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at the end of the financial period	730	£321.12	870	£116.75

No E shares were exercisable at the period ended 1 January 2023.

The fair value of equity-settled shares is estimated as at the date of grant using the internationally recognised Monte-Carlo model, taking into account the terms and conditions upon which the shares were awarded. The Group recognised a a share-based payment charge for the period of £2,081k (2021: £723k) during the year ended 1 January 2023.

The subscription price offered to Directors and employees ranges from £116.75 to £1,049.18.

27. Operating lease commitments

At 1 January 2023, the Group had future minimum lease payments under non-cancellable operating leases as follows:

	2022 £'000	***Restated 2021 £'000**
Not later than 1 year	11,744	11,898
Later than 1 year and not later than 5 years	45,578	46,830
Later than 5 years	76,341	87,129
	133,663	145,857

**Prior Period Adjustment*
In the prior year, for a number of leases, the lease end date was incorrectly used instead of the lease break date to calculate the operating lease commitments which led to an overstatement of the operating lease commitments in the prior year. Prior year amounts have been amended to present a correction of future minimum lease payments in the table above. The impact is a decrease in operating lease commitments of £9,878k. The restatements have no impact on any other prior year disclosures in these Consolidated Financial Statements.

28. Financial instruments

Financial risk management objectives

The Group's activities expose it to a variety of financial risks: market risk (including price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed.

The Group does not have material exposure to foreign currency risk due to the nature of its trade.

Market risk

Price risk

The Group is exposed to the variability in the price of commodities used in the running of our restaurants, including ingredients and utilities. The Group mitigates this risk by entering into price negotiations with suppliers to fix and reduce costs where possible. This includes price risk for purchased energy which is mitigated through a hedging strategy of fixed and flexible price arrangements.

Interest rate risk

The Group's main interest rate risk arises from long-term borrowings from its parent undertaking, Jampurchaseco Limited. The borrowings are obtained at fixed rates which reduces the exposure around adverse interest rate changes and therefore reduces to interest rate risk.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Group and Parent Company statement of financial position and notes to the financial statements.

An analysis of ageing of trade debtors is provided below:

	2022 £'000	2021 £'000
Current	418	554
0-30 days past due	136	11
30-60 days past due	-	16
60-90 days past due	-	2
Over 90 days past due	61	41
	615	624

Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash at bank and in hand) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

29. Analysis of net debt

	At 2 January 2022 £'000	Cash flows £'000	Other non-cash changes £'000	At 1 January 2023
Cash and cash equivalents				
Cash and cash equivalents	5,429	368	-	5,797
Borrowings				
Loans due within one year	(15,034)	(4,000)	-	(19,034)
Interest accrued on loans	-	-	(1,590)	(1,590)
Total	(9,605)	(3,632)	(1,590)	(14,827)

30. Key management personnel disclosures

Key management personnel are deemed to be members of the Executive Committee "ExCo". The ExCo are considered to be the key management personnel as they act as the principal decision-making body for the trading operations of the company. Amounts paid to key management personnel are shown below.

	2022 £'000	2021 £'000
Aggregate compensation including pension contribution	796	886
Share-based payment	1,909	571
	2,705	1,457

31. Contingent liabilities

Further to the deferred consideration payment recognised as a provision in the financial statements, a potential further consideration may become payable to the previous shareholders of Prezzo Limited in the event of an exit of the Group. An exit will include the sale of the business, or an Initial Public Offering.

The amount to be paid is a percentage of the agreed sale price, up to a total value of £5,000k. The payment is contingent on the Group going through an exit process and having an agreed sale price. As the Group is not in the process of going through an exit, the quantum of the payment cannot be estimated and therefore has not been recognised as a liability.

32. Related party transactions

Summary of related party transactions with Group companies
The Group holds loan note balances repayable to its immediate parent company. Additional funding of £3,600k was received in the period, therefore the principal loan note balance outstanding at 1 January 2023 was £16,513k (2021: £12,913k). During the period ended 1 January 2023, the Group incurred interest charges of £1,484k (2021: £1,044k) on loan notes repayable to its immediate parent company. All accrued interest remains unpaid as at 1 January 2023 and totals £2,528k (2021: £1,044k). The total loan notes including accrued interest due to parent undertaking at 1 January 2023 was £19,041k (2021: £13,957k).

32. Related party transactions (continued)

Summary of related party transactions with other parties
During the period, £60k (2021: £144k) was paid in consultancy fees to companies in which Directors of the Group control. As at 1 January 2023, £5k of Directors consultancy fees were outstanding to be paid. Please see note 11 for information on Directors' remuneration.

The Group holds loan notes repayable to individuals related to the Group. These individuals are Directors of the Company and therefore exert significant influence over the Company. As part of the group reconstruction (see note 33) that took place in February 2021, the Group acquired £506k of loan notes from its Directors at that time. The principal loan note balance outstanding at 1 January 2023 to individuals remaining related to the Group was £453k (2021: £253k). During the period ended 1 January 2023, the Group incurred interest charges of 31k (2021: £18k) on loan notes repayable to its Directors. All accrued interest remains unpaid as at 1 January 2023 and totals £49k (2021: £18k). The total loan notes including accrued interest due to Directors as at 1 January 2023 was £502k (2021: £271k).

33. Controlling party

Jampurchaseco Limited owns 90% of the share capital of Prezzo Investco Limited. The registered office of Jampurchaseco Limited is the same as that of Prezzo Investco Limited.

The largest group in which the results of the Prezzo Investco Limited and its subsidiary are consolidated is that prepared by Eldridge Industries LLC, the ultimate controlling party, of 600 Steamboat Road, Greenwich, CT 06830, United States of America. Eldridge Industries LLC is a company incorporated in the United States of America. The financial statements of this entity are not publicly available.

34. Group reconstruction

In December 2020, Cain International LP, a subsidiary of Eldridge Industries LLC, acquired the Prezzo brand by acquiring the shares of Prezzo Limited. In February 2021, Prezzo Limited entered into administration, and following this on 10 February 2021, Cain International LP acquired the trade and assets of the Prezzo Limited business for total consideration of £2,640k under a controlled company, Prezzo Trading Limited. This transaction was deemed to be a common control transaction and as a result met the requirements to account for under the merger accounting method.

	Carrying value £'000 2021
Tangible fixed assets	27,193
Stock	542
Deferred income and accruals	(2,224)
Loan notes - Parent undertaking	(3,982)
Loan notes - Other parties	(506)
Deferred consideration	(3,000)
Provisions	(51)
Net assets acquired	17,972
Excess assets recognised in Merger Reserve	(15,332)
Acquisition-date carrying value of the total consideration transferred	2,640
Representing:	
Cash consideration paid	**2,640**

35. Events after the reporting period

The shareholder loan note facility to Prezzo Investco Limited was increased by £4.4m, from £24.5m to £28.9m, in 2023. Three tranches of funding were received after the reporting date being £1.0m on 30 January 2023, £1.4m on 19 May 2023 and £2m on 7 July 2023. The loan notes due date has changed to 10 February 2027.

Post year-end, management took the decision to right-size the restaurant portfolio down to a total of 97 sites which were profitable and in management's view capable of delivering sustainable growth for the future, alongside a significant reduction in central overhead costs. The restaurant closures were made in April 2023.

The company affected the closures by way of a restructuring plan under Part 26A of the Company's Act 2006. The restructuring plan was sanctioned by the High Court on 5th July 2023. The principal terms of the restructuring plan were:

- Senior secured loan noteholders were to remain whole with the maturity extended.
- HMRC as preferential creditor were to receive a cash payment of £3.3m which was equal to the floating charge assets in the relevant alternative.
- Payments to local authorities in respect of business rates and council tax in relation to profitable sites were not paid in May and June 2023.
- Liabilities for other unsecured creditors were released in full. This included landlords of loss-making sites, creditors in respect of deferred and exit consideration, local authorities in respect of loss-making sites and other unsecured creditors, including HMRC in respect of its non-preferential claims.

With the restaurant estate and central overhead restructure complete we have seen performance in 2023 return to profitability. Furthermore, with underlying supply issues of labour easing, inflation beginning to stabilise, the recruitment of a new executive team completed and locked-in deflationary benefits in utilities for 2024 and 2025, the outlook for Prezzo is positive.