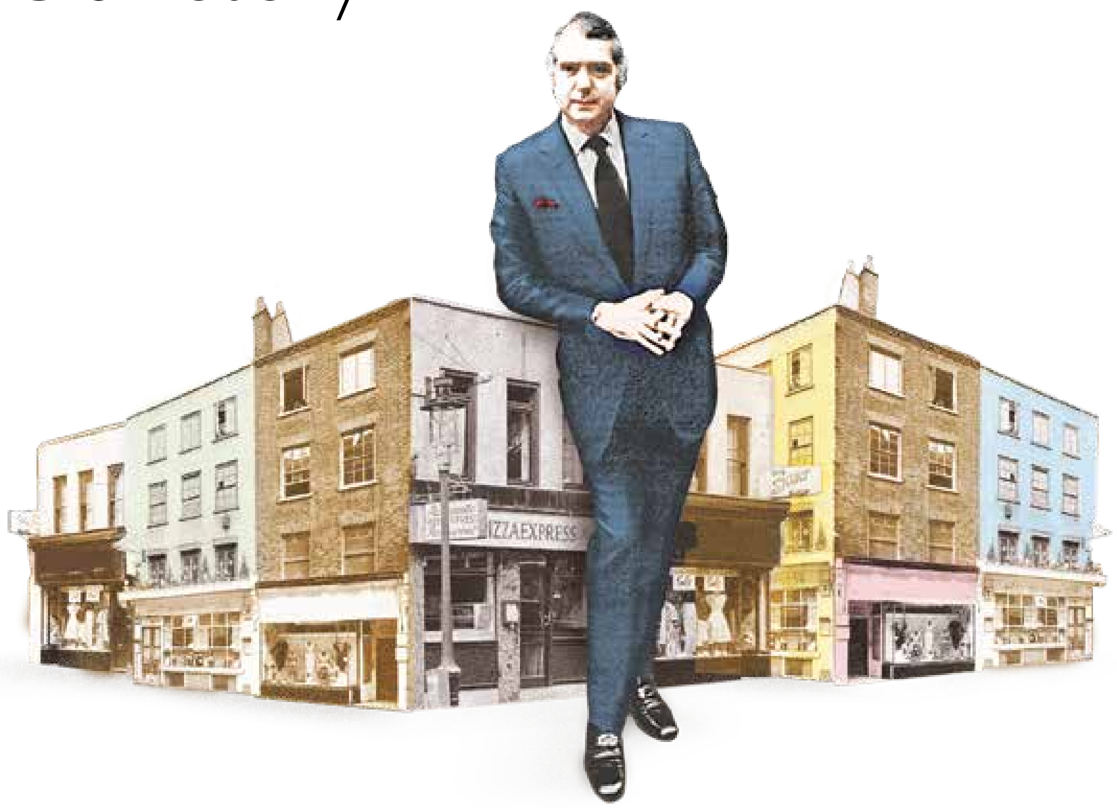
ANNUAL REPORT AND FINANCIAL STATEMENTS 2015/16

Our story



Our founder Peter Boizot threw open the doors of the first PizzaExpress on Wardour Street, Soho, in 1965. With it, he revolutionised the London restaurant scene.

After serving in the army and studying at Cambridge, Peter travelled to Europe, living and working in France, Germany and Switzerland before settling in Rome. When he returned to London he was shocked to discover that he couldn't find a slice of pizza anywhere. Recognising its potential, he decided to make, sell and eat real Italian pizza.

Peter's mantra was authenticity. Shipping an authentic pizza oven from Naples, and sourcing real mozzarella from the only producer in London, he secured his first premises which opened its doors on 27 March 1965, selling square slices of pizza in greaseproof paper through the front window at 10p a slice.

Peter teamed up with Italian designer Enzo Apicella, and together they introduced a wine menu, dining tables, PizzaExpress's signature open kitchen and simple but attractive furnishings. Celebrities and journalists flocked to the restaurant and a brand was born.

Individual, local designs became a feature of PizzaExpress's roll-out, with Peter determined to avoid the business becoming a homogeneous and faceless chain as it expanded. Peter saw PizzaExpress as a necklace with each restaurant an individual and unique gem. Each time he opened a restaurant he added a gem. Enzo went on to design over 85 PizzaExpress restaurants.

Today, we operate nearly 600 restaurants in the UK & Ireland and internationally. Peter's passion for pizza is still central to PizzaExpress, and the care and attention he put into the food and ambience are still principles that we live by today.

Contents

PizzaExpress at a glance—we...

...operate in
14
territories

...employ over
14,000
team members

...serve customers in
594
restaurants

...generate over
£500m
of revenues*

...have raised nearly
£700,000
for good causes†

* pro forma period: 52 weeks to 1 January 2017
† 79-week period to 1 January 2017

Chief executive officer's statement

The period since June 2015 has been another busy and successful one for PizzaExpress. It's also been an unusual 'year' for us in that we changed our year end from June to December which means that it has been 18 months since our last financial report and accounts. In that time, we have seen considerable change in the UK market with both the continued increase in restaurant supply from established brands, as well as many new concepts, in addition to the sizeable impact of the significant growth seen in the home delivery sector.

Richard Hodgson

UK & Ireland

In the UK & Ireland we have continued to develop the PizzaExpress and Milano estates, investing in our existing sites to ensure they remain fresh and attractive to our customers as well as expanding into new sites and locations with 24 additions to the portfolio. We also added 17 sites through the acquisition of the Firezza delivery business in February 2016 and have opened five Firezza sites since, and in May 2016 we entered into a partnership with the food delivery aggregator, Deliveroo. Both these actions enable us to participate in the rapidly expanding home delivery market.

Innovation and the development of new channels have never been more important in our sector and in this regard it has been another busy period. Our seasonally changing menu continues to provide new and exciting dishes for our customers, such as the very popular Romana Barbacoa and Chocolate Fondant, as well as incorporating updates to existing favourites, such as the Superfood Salad which we have enhanced with a healthy, nutritious and delicious mix of grains and pulses.

We continue to seek ways to broaden our customer base through selected commercial partnerships. In March 2016 we launched our highly successful partnership with O2, offering O2 Priority members a main course for £5 every week. We have seen further success in our retail operation through the relaunch in April of our chilled range and the introduction of a new frozen range in conjunction with Iceland in September 2016.

International

A key strength of PizzaExpress is its growing international presence. This has developed significantly, with the successful integration of the former franchise businesses in Mainland China, Hong Kong and the UAE providing a solid base for growth. In Mainland China, where we now operate 33 restaurants, we are rebranding our business as PizzaMarzano. This is easier to pronounce and represent with Chinese characters and we believe this will resonate better with our customers there.

In addition to strengthening our presence in existing markets we also opened our first restaurant in Singapore in July 2016 which represents our first new international market since 2011. In total we have added 27 sites outside the UK & Ireland, and the International segment now represents just under 18% of the total Group estate (10% company-owned, 8% franchise).

Charitable activity

During the period PizzaExpress supported charities including the Venice in Peril Fund and Macmillan Cancer Support, with whom we launched a four-year partnership in March 2015.

In the UK, 25p from every Padana pizza that we sell goes directly to Macmillan and team members across restaurants and Restaurant Support are encouraged to raise funds. Team members have participated in activities including marathons, Tough Mudders, triathlons, treadmill challenges, a 100km coast-to-coast trek through Costa Rica, football tournaments, sponsored walks, charity auctions and Macmillan's World's Biggest Coffee Morning.

Combined with the fundraising activity in our International markets, we have raised nearly £700,000 for good causes in the period.

Results

On a statutory basis, in the 79 weeks since 28 June 2015, turnover increased to £767.7m and operating profit was £112.4m.

On a comparable 52-week pro forma basis that aligns to our new financial year end of December, the Group generated turnover of £509.7m, which is growth of 9.8% on the equivalent pro forma period in the prior year. This growth was driven to a large extent by our International business with turnover more than doubling to £69.7m together with new sites in the UK & Ireland outweighing a small decline in like-for-like sales* growth in the UK market.

Across the same pro forma period, EBITDA* grew by 1.1% from £101.4m to £102.6m with this increase again coming from the growth in our International operations, offsetting some margin pressures in the UK. More detail on our financial performance can be found on page 29 under 'Key Performance Indicators'.

* Non-statutory measure. See page 29 for full definition

Outlook

Sector trading conditions in the UK have undoubtedly been difficult over the period and we anticipate that the market will remain so as we move through 2017.

The economic environment will continue to be challenging, as the uncertainty generated by the result of the UK referendum to leave the European Union together with other geopolitical changes start to weigh more heavily on consumer sentiment in the near term. Added to this are the unprecedented cost challenges that are facing our sector; be they input cost inflation linked to Sterling depreciation, increases in the National Living Wage, rates revaluations, or upward pressure on commercial rents.

Despite the challenges that these factors present, we are confident in our strategy. We will continue to drive innovation and efficiency into our core UK restaurant operation, whilst also growing our International estate, primarily in Mainland China. We will supplement this approach with further development of our successful retail brand whilst remaining open to relevant potential new opportunities as they arise.

At the heart of every great business is its people; and PizzaExpress is fortunate enough to have some truly exceptional people working in its teams. The PizzaExpress family is our strongest asset and we are grateful for the hard work and commitment that goes into making sure our customers have a truly fantastic dining experience every time they visit a PizzaExpress restaurant, wherever that is around the world.

R Hodgson

Richard Hodgson
Chief Executive Officer
27 April 2017

Strategic report

The Directors present their Strategic Report for the period from 29 June 2015 to 1 January 2017 (the 'period').

Business activities
The principal activity of the Group is the operation of pizza restaurants in the UK and the Republic of Ireland ('UK & Ireland'), and through its international operations ('International') which comprise both franchises and wholly owned businesses. It also has licensing arrangements in place to enable PizzaExpress pizzas, salad dressings and other products to be sold through supermarkets.

Business model
We believe that key to our success is the simplicity of our restaurant model where we install and operate a single cooking platform—a pizza oven—in all UK & Ireland restaurants. In addition, we offer our customers a menu oriented primarily around pizza. This focus enables us to deliver a freshly-prepared offering to a consistently high standard, and allows us to derive economies of scale in purchasing. Our model is flexible and is adaptable to different location types, sizes of restaurant and geographies.

Market review
UK & Ireland We primarily operate in the full-service restaurant segment of the UK eating and drinking out market, which consists predominantly of full-service branded restaurants (including chain casual dining restaurants) and independent full-service restaurants. The total eating out market in the UK was valued at some £87bn in 2016 and is forecast to grow to just over £94bn at a CAGR of 2.6% between 2016 and 2019. Whilst growth in the near term is expected to moderate from recent levels, it will remain close to 3% in 2018 and 2019 (source: *MCA Eating Out Report*, July 2016). We will continue to monitor closely the impact of Brexit on market dynamics.

We expect a moderation in the pace of expansion of new outlets across the market requiring an increasing focus on generating solid like-for-like growth through offering great tasting food at good value in appealing restaurant environments. All of these attributes have been and continue to be key strengths of our business and therefore we remain confident in our ability to grow successfully in such market dynamics.

International We believe we are well placed to take advantage of growth in the eating out market in our selected territories through our strategy of opening new restaurants in both well-established areas of Mainland China such as Shanghai, but also by broadening our geographic reach into Tier 2 cities such as Wuhan. We will also continue to evolve and adapt our offering to ensure that it remains highly relevant and offers great value to our customers. Outside of Mainland China, our operations in Hong Kong and the UAE are well established and we will seek to grow our presence in these markets through the addition of carefully selected sites that complement our existing estate footprint.

In both the UK & Ireland and International segments we see the further development of the home delivery market as one that offers considerable growth opportunities. We will continue to develop our presence in this market in the future.

Trading results

The results of the Group for the period are set out on page 49 and show an operating profit for the period of £112.4m (45 weeks ended 28 June 2015: £59.0m) and a loss before taxation for the period of £17.1m (45 weeks ended 28 June 2015: £10.5m).

Further discussion on the results for the period are included on page 29.

Strategy

Our strategy focuses on the continued growth of the UK & Ireland business and the opportunity to grow our presence in selected international markets, primarily Mainland China. This growth is complemented by the development of our successful retail brand and the evaluation of other new potential opportunities as they arise.

Growth in the UK & Ireland is achieved by an unwavering focus on delivering an outstanding customer experience through our commitment to quality food, excellent customer service and attractive restaurants. We also continue to build on our established track record of innovation in food, designed to maintain and enhance existing customer interest and attract new customers to the brand.

Growth in our International markets will be achieved by implementing our strategy of opening company-operated restaurants in attractive markets with expected high demand, as well as franchise restaurants in local markets where we believe working with a franchise partner is more appropriate—for example, where it may be difficult for us to operate independently or where market potential is more limited.

During the period we executed this strategy through the opening of a net 24 restaurants in our wholly owned markets of Mainland China, Hong Kong and the UAE, and including our first restaurant in Singapore and a net three with our franchise partners. We continue to anticipate that the majority of EBITDA growth in our International segment will arise from the opening of new Company-operated restaurants in Mainland China where we expect to open a substantial number of restaurants each year.

Where we consider it beneficial to do so we will open sites in Mainland China under the PizzaMarzano brand. In the period we opened or rebranded 22 restaurants under the brand, which resonates more effectively with our Chinese customers.

We also continue to seek growth through our franchise partners in eight existing international territories of Indonesia, India, Cyprus, Gibraltar and the Middle East, and will seek to expand with existing or new partners in additional territories where suitable opportunities arise.

A world made happier by pizza

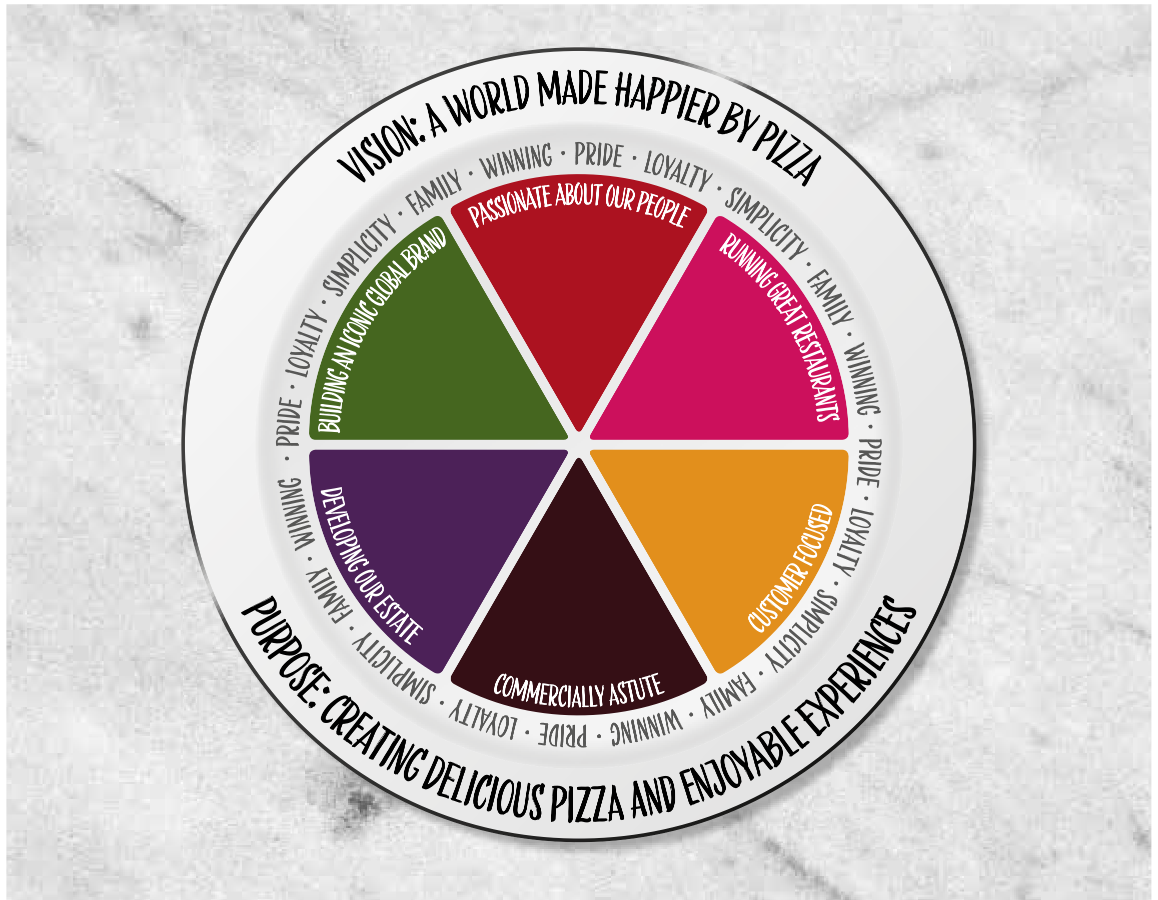
Our vision is of a world made happier by pizza—everything we do is in pursuit of this aim. To deliver this vision, we have set ourselves challenging strategic goals that we have organised around the six segments of our pizza wheel:

- Passionate about our people
- Running great restaurants
- Customer focused
- Commercially astute
- Developing our estate
- Building an iconic global brand

Running through of all these segments are the values that govern how we operate:

- ***Family*** a welcoming, caring, happy place to work
- ***Winning*** with energy, thought and determination, we will succeed
- ***Pride*** if we are not proud, we are not doing it right
- ***Loyalty*** delighting customers will create lifelong affection
- ***Simplicity*** by keeping things simple, we can be brilliant

Together, we believe these attributes and ways of working will enable us to deliver our vision. The following pages provide some insight into our strategy and a number of the activities that we have undertaken to deliver this.



The PizzaExpress pizza wheel

Our teams are at the heart of what we do and we have worked on several areas during the period to ensure that all of our employees have a great experience when they work for us.

Reward and recognition

We recognise great performance at all levels of the business in several ways—from informal recognition at a local level to more nationally recognised awards.

Our Golden Ticket programme rewards team members who give great service, serve great pizza or go the extra mile. There are monetary rewards each month and additional prizes every quarter. Each Golden Ticket that we award is shared though our weekly employee newsletter that enables us to share and role-model great behaviour. In the last 18 months nearly 800 Golden Tickets have been awarded.

Induction and training programmes

We have developed and relaunched our induction and training programme for all operational team and management roles. We recognise that these roles are core to the experience we give our guests, and therefore the training that we give is really important.

The approach we have taken is optimised for both team members and managers. It is a mix of online learning modules that can be completed on shift, practical sessions with an accredited trainer, and for our managers, an off-site training and induction session on day one of the programme. Every person is signed off at the end of their training.

Progression and career development

Our scale, both in the UK and across the world, gives our team members the opportunity to move to different sites and experience different ways of working.

In May 2016, some of our team members from the UK and Dubai went to Singapore to support the opening of Scott's Square, the first restaurant in this new market. The team spent a number of weeks working with the new team to introduce them to the brand and ways of working.

Several team members are on international assignment in different markets in key roles. The assignments help to retain the PizzaExpress culture wherever we operate.

Diversity and inclusion
Ensuring that our team reflects our wider consumer base is key at PizzaExpress. We work hard to ensure that we are able to offer opportunities to all those that want them.

Within our restaurants, our shift structure enables us to create working patterns that work for us as a business but also for the team members that we employ, whether it be part-time work to suit a student at university or evening hours to be able to share family responsibilities with a partner.

Within our Restaurant Support team, we enable people to work from a central office but also provide them with the capability to work from home or from a restaurant. Many people have taken advantage of this and work flexibly to suit their needs.

We are continuing to focus on this area to ensure that we have the best talent working in our business across all of our teams.

Education in the workplace
We have a number of programmes in the UK that support education, from school visits and our apprenticeship programme, to undergraduate and graduate schemes.

Over many years, we have developed our school visits programme to allow pupils to make a pizza under the guidance of our qualified Pizzaiolos. The programme is increasingly popular, with nearly 119,000 pupils taking part in over 5,000 school visits during the period. Our school visits not only enable us to educate students on key ingredients, but also introduce them to wider career opportunities.

James Lakey joined PizzaExpress as a 17-year-old pot wash in 2011. Through our Apprenticeship Programme, James has completed two Level 2 NVQs and his Level 3 in Supervision and Leadership. James is now a Pizzaiolo Trainer and last year was a finalist in the LifeTime Learner Achievement Awards.

Students who want to earn qualifications can study for an NVQ whilst in employment with us. Over the past three years, over 280 students completed NVQ qualifications in Team Leading, Kitchen Services, Food & Beverage Services, or Hospitality Supervision & Leadership.

Finally, we are committed to continue bringing in talent at all levels. Our undergraduate programme enables us to recruit talented individuals whilst they are studying for their degree, and to give them the opportunity to experience real roles with real responsibilities. Many of the students that work for us finish the year running their own restaurants and many are offered a role on completion of their degree the following year.

In September 2015, our first three undergraduates returned to the business as graduates, and are now in permanent restaurant management roles.

In 2016 we began a substantial review of our operating model, to ensure we continue to operate with excellence and also as efficiently and effectively as possible. We have developed four key workstreams in order to deliver this:

1. Day in the life
2. Investment in technology
3. Simplified menu
4. Ways of working

Day in the life
This review involved going back to basics and understanding what a day in the life of a PizzaExpress restaurant really looks like with the various demands on our restaurant teams' time. A representative group of Operations Managers and Restaurant Managers provided an hour-by-hour account of life in a restaurant, so that we could understand what most impacts their time. This has given us unique insight into where we need to focus our attention in the projects and initiatives that will truly improve our operating model and enhance our customers' experience.

Investment in technology
We have commenced a significant investment programme in IT to transform the technology we use in our restaurants, both to improve the service we offer to our customers and to make life easier for our managers and team members.

Over the period we have implemented new solutions to manage our purchase-to-pay process. This has eliminated hours of effort each week for our restaurant managers and will improve central visibility of restaurant stock holding and supplier performance.

We have also successfully piloted new EPOS solutions which are currently being rolled out. The new solutions feature handheld technology that allows our team members to take orders at the table, and immediately send the order to the kitchen without needing to revisit a static till. This allows team members to spend more time with the customer, and ensures that we help time-pressed customers to enjoy our wonderful pizzas as quickly as possible.

Our investment in technology is also allowing us to improve customer service in the way we take payment. The handhelds facilitate a faster and smoother process for those customers who are using any form of voucher. We have also been able to take advantage of integrated payments which makes the payment process easier for both customers and team members.

To optimise the use of mobile solutions we are investing heavily in the network infrastructure at our restaurants—both the external links and the internal Wi-Fi networks. This in turn has allowed us to offer our customers free in-restaurant Wi-Fi.

Simplified menu
We began trials of a simplified menu, with around 40 fewer dishes, in March 2016 in the South West and Bedfordshire & Buckinghamshire areas. We used feedback from Pizzaiolos and front-of-house teams to reduce back-of-house processes and complexity whilst maintaining a comprehensive range of dishes and the possibility for future innovation.

Following incredibly positive responses to the trial, we have decided to introduce the simplified menu across the entire UK & Ireland estate. This will enable our teams to focus on providing the highest quality food to our customers whilst at the same time driving simplicity and efficiency in our operations.

Ways of working
We have also reviewed how restaurants are supported by our Restaurant Support teams. We scrutinised all the processes and requests made of our restaurant team members to see if there were better solutions. Asking questions such as 'Does this have to be done on a Monday?' is a foundation stage in redefining our operating model, to free our teams to spend more quality time with guests.

All these workstreams have one core purpose: to deliver on our vision of a world made happier by pizza. We want to ensure that our teams are able spend as much time with our customers as possible and that our Pizzaiolos are able to focus on making great food brilliantly every time with pizza at the absolute heart of our menu.

CUSTOMER FOCUSED

Food quality and development

As a business we are committed to delivering a food offering that combines simplicity, quality and innovation.

Alongside our core menu of customer favourites, we update our menus regularly to reflect the changing seasons and exciting new food trends. Some of our favourite dishes from the period include:

Romana Barbacoa The Romana Barbacoa has smoky Barbacoa pulled beef, spicy chipotle salsa, mozzarella and passata with a fresh finish of chopped tomato, red onion and fresh coriander. Barbacoa is a form of cooking meat that originated in the Caribbean, from which the term 'barbecue' derives. Our version has been marinated in chipotle chilli, lime and garlic, slow cooked, hand-pulled and cooked again in a sauce made from natural beef juices, brown sugar and stock, all partnering perfectly with the freshness of tomato, onion and characterful coriander.

Superfood Salad To bring our Superfood Salad into 2016, we added some exciting ingredients to our superfood mix, including green lentils, edamame beans, red quinoa, black rice, chickpeas, cranberries, pumpkin seeds and kale. Many of these ingredients are ancient grains and all of ours are gluten free. Ancient grains are loaded with trace vitamins and protein. With a robust texture and strong nutritional profile—including vitamin B, magnesium, potassium, iron, fibre and antioxidants—they are an exciting addition to our menu.

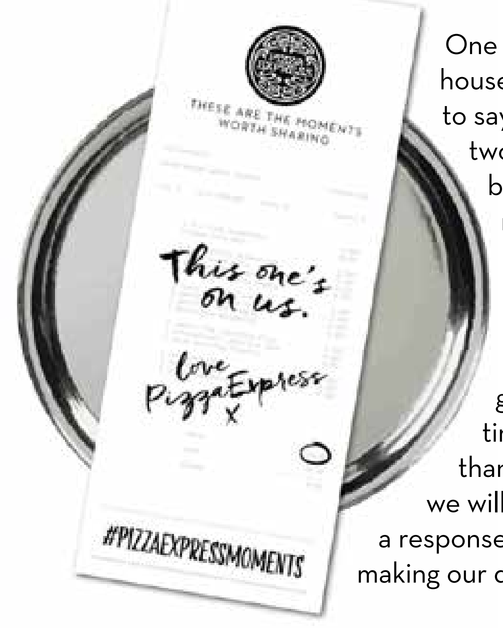
Chocolate Fondant 'PizzaExpress' This rich and intense warm chocolate cake has a soft melting centre, and is served with vanilla gelato. This delicious dessert has proved so popular since it first appeared as a special that we have added it to our core menu for 2017.

Listening to our customers
In February 2016 we launched 'How Did We Dough?', a programme that enables us to listen to customer feedback and act on it, making the right decisions for our customers.

In the period we received over 40,000 customer responses. Before the programme launched, we received fewer than 700 customer surveys a week but with 'How Did We Dough?' we now consistently receive more than 2,000 a week. Email invitations and in-restaurant collateral including posters, menu advertisements and till rolls have helped to maintain this level of customer engagement.

Blank bills
We also operate a 'blank bill' scheme that gives our restaurant managers the discretion to surprise and delight guests by saying 'this one's on us'. The scheme empowers our teams, engenders loyalty and generates positive word of mouth.

It's up to our teams to decide who merits this extra-special treatment—it might be a first date, a couple celebrating a special occasion or—as in this example—a family coping with some unfortunate news.



One of our managers gave a blank bill to a family whose house had been burgled the night before. The guest wrote to say, 'We visited your restaurant with our young son and two friends. My wife only mentioned that we had been burgled to explain our late arrival. We enjoyed a lovely meal and excellent service. It was a really enjoyable end to a miserable day. When it came to the bill, the waiter told us that the management were going to take care of it as we had endured such a horrible start to the day. This was such a lovely, generous and unexpected gesture and really restored our faith in people. In these times of faceless online complainers we just wanted to thank PizzaExpress for this genuine act of kindness and say we will definitely be visiting again. I don't send this expecting a response but felt compelled to pass on our gratitude. Thanks for making our day!'

Talking to our customers
In November 2016 we hosted our annual 'Snowball Dough Ball Day' campaign where the public can visit any PizzaExpress restaurant for a free portion of our famous dough balls, seasonally dusted with icing sugar and cinnamon, and served with a sweet vanilla cream dip.

For the first time in 2016 we joined forces with Macmillan Cancer Support to raise awareness and funds for our charity partner. The campaign trended on Twitter with over 7,000 interactions and we raised £5,000 for Macmillan, giving away more than 18,000 portions of Snowball Dough Balls.

For Christmas 2016 we connected online and offline activity with our 'Shake The Tree' campaign, becoming the UK's first casual dining brand to run an in-restaurant Facebook Messenger campaign. Around 150,000 customers played the game, with over 30,000 winning prizes including dough balls, pizzas and Prosecco. We were delighted with how engaged customers were with the campaign and will continue to innovate with social media.

PIZZAEXPRESS
NEW RESTAURANT OPENINGS

DEVELOPING OUR ESTATE

New restaurant openings

In the UK & Ireland we opened 24 new restaurants in the period. Each restaurant is individually designed, often inspired by well-known local people or historical events. Below are some examples of our new restaurant openings.

Andover The 127-seat restaurant created jobs for 30 team members. An estimated 950kg of dough was used in the first month as the team served 3,500 pizzas and 2,500 portions of dough balls. Artwork was inspired by The Troggs who formed in Andover in 1964, and memorabilia and vinyls of their famous singles, such as *Wild Thing* and *Love is All Around*, are displayed.

Glossop The restaurant is situated in a converted wool mill from the 1700s, and packed with features which nod to the fascinating history of the building and town's rich cotton industry. Wall tiles feature a weave pattern, and this is mirrored in the timber flooring which creates a cog-like effect.


Glossop

Ballyhackamore, Belfast C. S. Lewis was born in Ballyhackamore and his writing inspired the interior design. References to the author and his creations can be seen throughout the restaurant, including a wall-art book installation and Narnia-style snowflake tiling. It was important that the restaurant did not feel overly themed and it was an inviting space for diners. Wooden panelling and leather banquette seating add sophistication, while the rich, blue walls and elegant lighting create a calm, cosy environment.


Liffey Valley

Liffey Valley, Dublin A simple yet striking design was required to aid standout from competitors in this busy cinema and retail park. Bold artwork, visible from outside, reflects the creativity of the brand. Coloured leather seats complement the artwork palette. Jam jar lights and striking monochrome floor tiles draw the eye towards the kitchen. Mismatched marble slabs create an interesting backdrop, providing a beautiful and varied texture.

Transformations

In addition to opening new restaurants, we regularly refresh and refurbish existing sites under our transformations programme. In the period we have undertaken 58 transformations, ranging from a light 'sparkle' to a complete overhaul of the site.

Delivery
Recently, the trend for online delivery services has grown exponentially. In 2016, this growth saw one in five people placing an online delivery order every week and two in five customers ordering once a month.

To ensure we remain competitive and in order for the PizzaExpress brand to reach as many customers as possible, in May 2016 we agreed a deal with Deliveroo to promote PizzaExpress and deliver our quality food from over 250 of our restaurants by the end of the period.

Also, in February 2016 we acquired Firezza, a leading London-based pizza delivery company. This acquisition gave us an opportunity to build on the momentum behind the brand and further grow its reach. We now have 22 stores delivering across London and as far away as Exeter. Firezza was founded in 2001 after its two founders, Edin Basic and Adnan Medjedovic, realised a long-held ambition to deliver fresh, quality Neapolitan pizza to food lovers.

Retail
There were several highlights in the retail space within the period. We focused on reinvigorating our range of retail pizzas and introduced new Romana and Classic pizzas, including some of the top-selling flavours from our restaurants.

We also launched the UK's first gluten-free retail pizza, which was an exclusive launch in partnership with Sainsbury's. Later in the year we launched our Artisana frozen range. The range of five sourdough pizzas, three ready meals and three gelatos is stocked exclusively in Iceland.

Our Artisana range

We are proud of our retail offering and of the trust our customers place in us: we were rated the 81st biggest supermarket brand in the UK in The Grocer 2016—up seven places from the previous year—and our salad dressing was the UK's number one branded salad dressing.

COMMERCIALLY ASTUTE

Key Performance Indicators

The senior management teams of each business unit review detailed weekly and monthly information on performance that covers a wide range of financial and non-financial measures to assist them in driving performance and monitoring progress against key targets.

The financial and non-financial KPIs that are used to monitor the business including the Group's performance for the period measured against these are set out below.

	Statutory period ended 1 January 2017	Prior year statutory period ended 28 June 2015	Variance
Group Turnover	£767.7m	£371.0m	+106.9%
Group EBITDA*	£157.4m	£86.7m	81.6%
Group EBITDA margin	20.5%	23.4%	(290)bps
Number of restaurants (Group)	594	528	66

	Pro forma 52-week period 2016	Pro forma 52-week period 2015	Variance
Group Turnover	£509.7m	£464.1m	+9.8%
UK & Ireland LFL sales (actual FX rates)*	(0.9)%	n/a	n/a
Group EBITDA	£102.6m	£101.4m	+1.1%
Group EBITDA margin	20.1%	21.8%	(170)bps
Number of restaurants (Group)	594	549	45

Statutory period 'Statutory period ended 1 January 2017' refers to the audited 79-week period ended 1 January 2017 and 'Prior year statutory period ended 28 June 2015' refers to the audited 45-week period ended 28 June 2015.

Pro forma period 'Pro forma period 2015' refers to the unaudited results for the 52 weeks ended 3 January 2016. 'Pro forma period 2016' refers to the unaudited results for the 52 weeks ended 1 January 2017.

*** Non-statutory reporting measures**

Like-for-like sales Like-for-like (LFL) sales growth is defined as sales from wholly owned restaurants that have traded for a full financial year at the start of each financial year. Sites that are closed or disposed during a financial year are excluded from the LFL calculation. Growth is measured by reference to the sales generated from LFL restaurants in the same period in the prior financial year.

EBITDA EBITDA is a non-statutory measure and is calculated as the result for the period excluding taxation, interest, depreciation and amortisation and before deducting share-based payment charges, exceptional items, profit/loss on disposal of fixed assets and profit/loss on disposal of businesses.

Statutory basis

On a statutory basis, the Group achieved turnover of £767.7m. Although the vast majority of the growth compared to the prior period arises from the considerably larger number of trading weeks in the current period, the Group has successfully generated incremental revenue from new sites, offsetting a more challenging like-for-like sales position.

The Group's simple operating model enables it to deliver a strong return on sales. Total operating profit was £112.4m (2015: £59.0m) an increase of 90.5%, although margins declined by 130bps as a result of both the higher proportion of turnover from immature International markets and cost headwinds in the UK. Net interest charges of £129.5m (2015: £69.6m) resulted in a loss before tax of £17.2m (2015: loss of £10.5m).

Net cash inflow from operating activities was £77.1m (2015: £52.8m), after payments of interest on the Group's Senior Secured and Senior Notes of £72.5m (2015: £22.5m). Net cash outflows from investing activities totalled a further £76.3m (2015: £961.2m), of which £62.6m (2015: £27.6m) related to the purchase of property, plant and equipment. The significant decrease from the prior period in net cash outflows from investing activities is due to the prior period including the impact of the acquisition of the Group by Hony Capital.

As at 1 January 2017 the Group's total funding stood at £1,040.9m (2015: £985.6m), comprising external Senior and Senior Secured notes of £650.3m (2015: £646.9m), a loan from parent of £386.1m (2015: £334.2m) and ordinary shares of £4.5m (2015: £4.5m). Cash was £52.0m (2015: £49.3m). Net external debt was therefore £598.3m (2015: £597.6m).

The Senior Secured Notes are due for repayment in August 2021 and the Senior Notes are due for repayment in August 2022. The loan from parent is due for repayment in August 2024. Further details on the Group's borrowings and financial risk management are set out in Notes 18 and 21 respectively.

Pro forma basis

On a pro forma basis for the 52 weeks to 1 January 2017, the Group achieved turnover growth of 9.8% as a result of both organic growth and new restaurant openings. Our International segment delivered very strong growth driven by a significant increase in the restaurant estate.

UK like-for-like sales growth was more challenging in the current period as increasing supply in the marketplace coupled with the rise in popularity of home delivery meant that like-for-like sales were in slight decline at (0.9)%. Like-for-like growth improved significantly during the second half of 2016 as the partnership with Deliveroo began to deliver additional sales growth to the UK business.

The key indicator of profitability is considered to be EBITDA. In the pro forma period, Group EBITDA increased slightly year on year to £102.6m (2015: £101.4m) with EBITDA margin declining 170bps. This was partly attributable to a higher proportion of lower-margin sales from our immature International markets, but also UK EBITDA margin declined 110bps predominantly as a result of lower volumes in the early part of the year.

Of the net 45 new restaurants opened in the year, 16 were in our International equity markets, two were opened by our International franchise partners and 27 opened in the UK & Ireland. This included 17 delivery sites from the acquisition of Firezza in February 2016. A further five sites were added to each of the Firezza and PizzaExpress estates in the year.

Reporting period reconciliation	**Unaudited 27-week period Jun–Dec 2015**	**Pro forma 52-week period Jan–Dec 2016**	**Statutory 79-week period ended 1 January 2017**
Group Turnover	£258.0m	£509.7m	£767.7m
Group EBITDA	£54.8m	£102.6m	£157.4
Group EBITDA margin %	21.2%	20.1%	20.5%
Number of restaurants (Group)	54	594	594

EBITDA reconciliation	**Statutory 79-week period ended 1 January 2017**	**45-week period ended 28 June 2015**
Loss for the period	**(6.9)**	**(16.6)**
Add: Taxation	(10.3)	6.0
Add: Net interest	129.5	69.6
Add: exceptional items	3.5	10.6
Add: depreciation and amortisation	38.7	16.5
Add: loss on disposal of fixed assets	2.4	0.5
Add: share based payment charge	0.3	0.1
EBITDA	**157.4**	**86.7**

Tax strategy

As one of the largest casual dining operators in the UK and with an increasing presence internationally, the protection of our reputation and brand values is vitally important. Accordingly, our objective is to maintain a reputation as a responsible taxpayer, founded on open relationships with the tax authorities with which the Group's entities interact. The Group has a Board approved Tax Charter setting out this approach and this has been shared with HMRC.

In structuring our commercial activities, we will consider—among other factors—the tax laws of the countries within which we operate with a view to maximising value on a sustainable basis for our shareholders. Any tax planning undertaken will have commercial and economic substance and will have regard to the potential impact on our reputation and broader goals.

The development and maintenance of our relationships with tax authorities is the responsibility of Andy Pellington, the Group's Chief Financial Officer and the Group's Senior Accounting Officer responsible for tax compliance with HMRC who reports regularly to the Board of Directors on this topic.

BUILDING AN ICONIC GLOBAL BRAND

International

Our operations in ***Mainland China*** represent an exciting opportunity for us and one that we have accelerated since the acquisition of the former franchise operation in June 2015. Our presence in China goes back to 2006 when our former franchisee opened the first site in Xintiandi in Shanghai. Including our restaurant in Beijing, the number of sites had grown to 14 by the time the business became part of the wholly owned estate in 2015 and we now operate 33 sites across four major cities in China.

One of the key developments during the period has been the focus on the PizzaMarzano name. Although the PizzaExpress brand is iconic in the UK and also well established in Hong Kong, it does not translate readily into Mandarin. Following extensive market research, we decided to revert to the PizzaMarzano banner, which we had previously used in the region, and which is easier to pronounce and represent with Chinese characters. Although the name has changed, all our restaurants retain the distinctive PizzaExpress design language.

In October 2016 we were delighted to open our 100th international restaurant located in Guanghzou's International Grand City Mall. The southern city of Guangzhou is our fourth Chinese city after Shanghai, Beijing and Shenzhen. Although smaller than Shanghai and Beijing, Guangzhou has approximately 13 million inhabitants—considerably larger than London—clearly demonstrating the potential opportunity for us in China.

As we continue to expand and develop in China we are continuously evaluating our offer to ensure it remains relevant and appealing to the Chinese consumer. During the period we have comprehensively reviewed our menu, price point and proposition, making a number of changes to adapt to local tastes. For example, a selection of new products was introduced in 2016, including the Luwei Lamb Pizza and Winter Warmer drink specials—just a couple of the innovations driven by local demand.

Whilst we have made great progress on our journey in China during the period we are clear that there is a long way to go to reach our ambition for our business. However, the strides we have taken since acquisition in 2015 leave us confident that we can deliver our objectives in the coming years.

Although acquired as a wholly owned subsidiary in 2015, PizzaExpress celebrated its 15th anniversary in ***Hong Kong*** in April 2016. We launched our most successful campaign ever to celebrate 'the stripe', partnering with other iconic brands, to generate widespread stripe awareness across Hong Kong, including offering a free drink to any customer wearing stripes as well as serving our original menu from 2001, at the original price, for two weeks in April.

Since acquisition, we have expanded the estate with a further eight openings during the period. The openings not only strengthened our presence alongside existing operations but also extended our reach into new areas, such as our YOHO site, our first in the New Territories. We have also opened near Hong Kong International Airport in the Citygate outlet mall on Lantau Island.

Retail Asia Expo 2016, an exhibition that caters to retailers in Asia Pacific, awarded us the 2016 Hong Kong Retail Industry Trade Award's Community Retail Award, one of the coveted grand awards. This was a great recognition for our community and environmental commitment in recent years.

We give back to the community and we encourage our customers to do the same. We work with many charity partners, all of which touch the lives of our customers or staff, and we donate regularly to three different Hong Kong charities through sales of certain pizzas. We innovate to find interesting ways to support our charity partners, such as turning our leftover fresh dough into baked flatbreads at the end of the evening and donating to local foodbank, Feeding HK.

Our business in the ***United Arab Emirates*** has a clear focus on operating successfully in a highly multicultural environment and offering not just fantastic food but also superb experiences, through music at the highly regarded 'Jazz at PizzaExpress' sites in the region as well as through innovative approaches to new opportunities. The period has seen excellent examples of this, including those detailed below.

In contrast to many of our restaurants in the UAE, our restaurant at Fujairah serves a predominantly local customer base with over 95% being Emirati. Our team have adapted to this very local market by successfully changing standard operating procedures and adjusting to local eating habits. In Arabic culture, food sequence is very important as all dishes should be brought out simultaneously. Many people will often share dishes, therefore multiple plates will be needed. Also, by employing Arabic-speaking staff, customer service and interaction with customers has improved dramatically, enhancing the overall customer experience.

Elsewhere in the estate we were approached by Dubai Tourism to collaborate with Dubai Properties on a live music event in the heart of the Jumeirah Beach Residence on 'The Walk at JBR'. To showcase the brand we invested in a new mobile restaurant, converting two shipping containers into a pop-up PizzaExpress restaurant. The use of shipping containers has made its way to our UK business, where a similar arrangement was used to serve our customers at the Henley Regatta.

Our teams have shown themselves to be highly motivated to take up new activities and make a positive contribution to their local communities. Team members took up the initiative to raise money for Nepal Relief in response to the Nepal disaster, exceeding their own target. As a business we also partnered with the Dubai Foundation for Women & Children and will contribute a percentage of our earnings to the benefit of the Foundation. We are also creating opportunities for future employees through our Training Programmes specially designed for the Foundation Members.

In addition to the major markets above, we opened our first restaurant in ***Singapore*** in July 2016. We are also present in a further eight markets through ***franchise partnerships***. We continue to look for new market opportunities with both existing and new potential franchise partners in order to further develop the international reach of the PizzaExpress brand.

Supply Chain and Sustainability

In the UK & Ireland, the Supply Chain team manages over 150 suppliers across its food, drink and non-food portfolios, procuring over 700 individual items. We take the responsibility to both manage the supply base and source ethically very seriously, and as such have continuous improvement programmes in place across a number of corporate social responsibility platforms, as well as supporting other areas of the PizzaExpress business to deliver their programmes in this area.

Previously, we delivered several key strategies for the PizzaExpress and Milano brands, namely:

- All food and drink suppliers signed up to the Ethical Trading Initiative (ETI) Base Code—this was a precursor to the Modern Slavery Act 2015
- Moved to recycling multiple waste streams—glass, dry mixed, food, general
- Significant salt reduction across several key ingredients—passata, mozzarella, pesto
- Only sustainable palm oil permitted in ingredients and no added hydrogenated fats
- Removed all artificial colours and flavourings from our Piccolo menus and drastically reduced those across the whole menu
- Triple-certified coffee: organic, fairtrade, Rainforest Alliance
- Encouraging our distributors to use Fareshare or other charities for any leftover ingredients

In this period we have continued to build on the solid foundations already in place and streamlined into three broad programmes. Highlights include:

1 Sourcing

- We have introduced an online Supplier Information Management tool. This requires all our suppliers to sign up to our policies across a number of key areas such as anti-bribery and modern slavery. It also manages important tasks such as document management—particularly ensuring supplier certifications, accreditations and insurance information are current and valid.
- We have improved sustainability in several areas: all eggs used in PizzaExpress are now free range; our tuna is pole and line-caught and our chicken is Farm Assured. In addition, our Fairtrade range has increased, with sugar and hot chocolate products also now under that scheme.

2 Waste management

- Since implementing separate recycling waste streams we have worked to optimise our recycling performance and are now at an 86% recycling rate.
- In recognition of our efforts we were finalists for two Waste Management awards: SRA 'Best Food Waste Strategy' and the National Recycling Awards 'Best Food Waste Initiative'.

3 Energy management

- Following our Energy Savings Opportunity Scheme review—a mandatory UK government scheme to identify opportunities to reduce energy use and to cut consumption, emissions and cost—we decided to install LED lights across the entire UK & Ireland estate. We have successfully trialled our chosen solutions and are now completing surveys to move to full implementation, starting in 2017.

Dough is our most important ingredient—so important that in the UK we make it ourselves at our bakery in Witney, Oxfordshire. Since 2014 we have also produced our gluten-free pizza bases in a dedicated, Coeliac UK-accredited facility on the same site. The facility employs over 25 people and supports UK farming by using 100% UK wheat.

A responsible employer
We are committed to ensuring responsible social, ethical and environmental practices within our own operations and supply chains. We believe that every worker deserves the right to live and work with dignity and are proud of the steps we have taken to combat these issues including those linked to modern slavery. More information on the policies and practices that we have implemented are available at http://corporate.pizzaexpress.com.

This Strategic report was approved by the Board on 27 April 2017.

On behalf of the Board

Andy Pellington
Director

Directors' report

The Directors present their Report and audited Consolidated Financial Statements for the Group for the period ended 1 January 2017.

Directors

The Directors who served during the year were as follows:

Jinlong Wang is the chairman of the Group and has served as a director since April 2015. Mr Wang currently also serves as an advisor to Starbucks CAP region and senior advisor to Hony Capital, and serves on the board of Sonova Holding AG. He previously served as chairman of Starbucks China and senior vice president of Business Development from 2013 to 2015. From October 2005 to May 2011, Mr Wang served as president, chairman and acting president of Starbucks Greater China region where he played a critical role in creating a coffee culture in a tea-drinking region.

Richard Hodgson has been chief executive officer since he joined PizzaExpress in April 2013. Mr Hodgson has over 20 years' experience in the food industry. He started his career in 1990 at Dalgety. He then joined Asda in 1996 where he spent ten years holding several senior positions. Mr Hodgson joined Waitrose in 2006 as commercial director, where he played a key role in developing the company's international business, as well as its launch of the 'essential Waitrose' range. Before joining PizzaExpress, Mr Hodgson was the group commercial director of Morrisons.

Andy Pellington joined PizzaExpress in March 2014 as chief financial officer. Mr Pellington started his career at Cadbury Schweppes before gaining significant experience across a range of leisure and hospitality businesses. Mr Pellington joined Whitbread in 2004 as finance director of the restaurant division and went on to hold various roles with the group, including finance director of its subsidiaries David Lloyd, Premier Inn and Whitbread Hotels and Restaurants. Mr Pellington holds an Economics degree from Birmingham University and is a qualified accountant.

Jianzhong Gong has been a director since February 2015. Mr Gong graduated from Dongbei University of Finance and Economics. He currently serves as the chief executive officer at Bank of China Group Investment Limited. With about 30 years' experience in banking and investment, Mr Gong has participated or taken a leadership role in numerous domestic and overseas investment projects.

Mingju Ma has been a director since March 2015. Mr Ma has served as vice president of Jin Jiang International (Group) Co., Ltd since 2005, as manager of the planning and finance division and general manager of the finance business division of Jin Jiang International, chairman of Shanghai Jin Jiang International Investment and Management Company Limited as well as director of Jin Jiang Investment. Mr Ma holds a master's degree in business administration from the Asia International Open University (Macau) and is a senior accountant.

Bing Yuan has been a non-executive director since 2011, and is primarily responsible for providing strategic advice and guidance on the business and operations of the Hony Group. Mr Yuan has more than 14 years of experience in the investment banking industry and has extensive knowledge in corporate financing, listings and mergers and acquisitions transactions. Mr Yuan joined Hony Capital in April 2009 and has served as managing director of the investment department of its Hong Kong office since January 2010. Mr Yuan has been a non-executive director of Haichang Holdings Ltd. since August 2012, whose shares are listed on the Main Board of the Stock Exchange (stock code: 2255). Prior to joining Hony Capital, Mr Yuan served as managing director of the direct investment department of Morgan Stanley Asia Limited from October 2006 to 2009. Before that, Mr Yuan served as managing director of the PRC enterprises corporate financing department of Morgan Stanley Asia Limited from April 2004 to June 2006. Mr Yuan also served as the vice president of Credit Suisse First Boston (Hong Kong) Limited from September 2001 to March 2004. Mr Yuan received a bachelor of arts degree in English from Nanjing University in July 1990. He also obtained a master's degree in International Relations in June 1993 and a juris doctorate's degree in June 1998 from Yale University.

Xiaolong Wang was a director until 5 May 2016. Mr Wang serves as a managing director of Hony Capital, with responsibility for investments in the consumer products and retail sectors. He has seven years' experience in consumer and retail sectors investment, and serves as director of Coagent Electronic Technology Co., Ltd., Sichuan Lessin Holdings Company Limited, China Restaurants Group Limited and Anhui Commercial Capital Co., Ltd. Mr Wang holds an MBA from Tsinghua University after completing the MIT—Tsinghua University Joint International Program in 2004.

Xiaoxin Shao has been a director since 5 May 2016. Ms Shao has served as an investment director of Hony Capital since 2010, where she was responsible for cross-border investment activities. Prior to joining Hony Capital, Ms Shao served at Morgan Stanley Asia Limited from 2006 to 2010, mainly involved in Greater China financing and M&A activities. Ms Shao holds a master's degree in Electronic Engineering from Tsinghua University.

Hony Capital
Crystal Bright Developments Limited, a company registered in the British Virgin Islands, is the ultimate parent company of the Group, and private equity firm Hony Capital is the ultimate controlling party.

Hony Capital, founded in 2003 and sponsored by Legend Holdings Corporation, specialises in private equity investment. As a 'China expert' and company builder, it focuses on the Chinese market with 'value creation by providing value-added services' as its investment philosophy.

Hony Capital currently manages seven private equity funds (five USD funds and two RMB funds) and two RMB mezzanine funds with more than RMB 48 billion of assets under management. The investors of Hony Capital include Legend Holdings, the National Social Security Fund, China Life Insurance and leading investment institutions such as Goldman Sachs, Temasek, and Canada Pension Plan Investment Board. The combination of domestic and international high-quality resources enhances the ability of Hony Capital to provide portfolio companies with value-added services.

Bing Yuan and Xiaoxin Shao are managing directors with oversight of PizzaExpress and both serve as directors of PizzaExpress Group Holdings Limited.

Dividends
The Directors do not recommend the payment of a dividend.

Political donations
The Group did not make any political donations during the period.

Charitable donations
Details of the Group's charitable donations for the period are included in the Strategic report.

Principal risks and uncertainties
The Board of Directors ('the Board') has the primary responsibility for identifying the principal risks which the business faces and for developing appropriate policies to manage those risks.

The principal risks that the business faces are considered as:

Competition The casual dining market continues to be highly competitive with a continued focus on consumers expecting value for money. The Board closely analyses current market trends and adjusts the strategy of the Group as appropriate, for example through new partnerships.

Where appropriate the Group also looks to diversify the risk associated with competition by exploring new concepts that are consistent with the Group's current offering, for example the partnership with Deliveroo that we began in May 2016.

Brand strength A key element of being able to compete in the market is our brand strength and customer perception. Invitations on receipts invite all customers to take part in our 'How Did We Dough?' customer satisfaction survey. The results from the survey are regularly presented to the Board in order to inform strategic priorities.

We strive to maintain our restaurants to the highest standard. This is achieved through our transformation programme which aims to deliver restaurant refurbishments on a regular cycle.

Foreign exchange rates The Group is exposed to movements in exchange rates through subsidiaries operating in a currency other than the Group's functional currency of GBP. The translation risk arising from this introduces an element of volatility to the Group's profit. This risk is partly mitigated by the range of currencies that subsidiaries within the Group operate in.

The Group is also exposed to movements in exchange rates through subsidiaries making purchases denominated in a currency other than their functional currency, the key risk being purchases made in Euros by Sterling-dominated entities and vice versa. To mitigate against this risk, cash generated in foreign currencies is matched with payments made in the same currency where possible. Additionally, where possible, foreign exchange rates included within supplier contracts are fixed.

Where a large payment is expected in a currency other than a subsidiary's functional currency, the foreign exchange risk is managed through the use of hedging instruments.

Brexit The vote to exit the EU in June 2016 has brought uncertainty to the UK economy. The full impact of Brexit is still uncertain, however the immediate impact on the Group has been through the resulting movement in foreign exchange rates and the potential impact on workforce availability. The Group also makes a proportion of its purchases from EU countries, although this is considered immaterial relative to the total value of the Group's purchases.

The Board has assessed the potential impact that Brexit could have on the business and the key risk is considered to be employee recruitment and retention, due to the number of employees from the EU working in the UK. The Board will continue to closely monitor this risk as the impact of Brexit becomes clearer.

Employee retention In addition to the risk arising from the Brexit vote, there is an ongoing risk to employee retention. In line with the sector as a whole, staff turnover continues to be a challenge for the Group as the labour market becomes increasingly competitive. Our employees are key to the success of our business through excellent customer service and therefore we must be able to retain the highest calibre of employees.

This risk is mitigated through continual review of reward structures to ensure that these are competitive relative to our industry counterparts, in addition to the provision of comprehensive training and development programmes.

Financial risk management
See note 21 on page 77 for details of the Group's financial risk management.

Research and development
The Group did not incur any research and development expenditure during the period.

Anti-bribery and corruption policy
The Group operates an anti-bribery and corruption policy in accordance with the Bribery Act 2010, which is accessible at https://corporate.pizzaexpress.com. This sets out PizzaExpress's commitment to maintaining the highest standards of ethics and ensuring compliance with all legal and regulatory requirements for preventing bribery and corruption.

Employment policy and equality
Serving millions of meals to customers a year, our people truly are our greatest asset and we believe in treating them as such: with respect, looking after their welfare and allowing them the freedom to be themselves and to flourish.

We encourage a work environment that is fair, open and communicative, with many benefits for our employees. Our employees have a performance review at least once a year, which includes consideration of skills development and career prospects. We aim to retain, develop and promote our best staff, offering a variety of training courses and development opportunities.

Informal, frank and open dialogue is encouraged at all levels of the Group. We aim to keep our employees informed of any changes and progress with the business on a regular basis in an engaging way.

We have a diverse workforce and an equal opportunities policy in place. We aim to employ people who reflect the diverse nature of society and value people and their contribution irrespective of age, sex, disability, sexual orientation, race, colour, religion, marital status or ethnic origin.

We do not tolerate harassment or bullying in any shape or form. Procedures are in place to respond to accusations of workplace discrimination, harassment and victimisation. An effective employee grievance procedure is in operation, and the policy is properly communicated to our people.

Applications from disabled persons are given full consideration providing the disability does not seriously affect the performance of their duties. Such persons, once employed, are given appropriate training and equal opportunities, as is the case where an employee becomes disabled when employed by the Group.

Future developments
Details of the Group's future developments are included within the strategic report on pages 9 to 38.

Going concern
The Directors note that as at 1 January 2017, the Group is in a net liabilities position of £15,547,000 (2015: £13,394,000) and a net current liabilities position of £15,281,000 (2015: £17,369,000). The Directors note that the first repayments of the Group's borrowings of £1,036,400,000 are not due until August 2021. In addition, the cash flow forecasts of the Group are closely monitored on a regular basis to ensure that the Group has sufficient cash to meet its liabilities as they fall due. In preparing these consolidated financial statements the Directors have reviewed these cash flow forecasts for the following 12 months from the date of approval of these financial statements and consider that these appropriately demonstrate the ability of the Group to meet its obligations for the foreseeable future. Furthermore, the Group has an undrawn Revolving Credit Facility of £20,000,000 currently readily available until July 2022. Board-approved budgets are prepared on a rolling basis covering a five-year period and in making their assessment of going concern, the Directors have taken into account the most recently approved Five Year Plan, which demonstrates that the Group is able to operate as a going concern. The Directors regularly review the risks facing the business and, where appropriate, adjust the strategy of the business accordingly. The Directors consider that the Group is well-placed to mitigate the risks that it faces. As such, these financial statements have been prepared on a going concern basis.

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

Statement of Directors' responsibilities
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Company financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice, comprising FRS 101 'Reduced Disclosure Framework' and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the 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 the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and as regards the Group financial statements, Article 4 of the IAS Regulations.

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

The Directors are responsible for the maintenance and integrity of the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Post balance sheet events
There are no post balance sheet events to disclose.

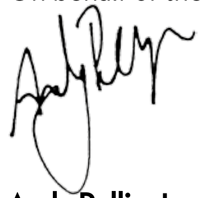
Disclosure of information to auditors
So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware. The Directors have taken all the relevant steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Independent auditors
PricewaterhouseCoopers LLP have expressed their willingness to continue in office and are deemed to be reappointed under Section 487(2) of the Companies Act 2006.

This Directors' report was approved by the Board on 27 April 2017.

On behalf of the Board



Andy Pellington
Director

Independent auditors' report

Report on the financial statements

Our opinion
In our opinion:

- PizzaExpress Group Holdings Limited's Group financial statements and Company financial statements (the 'financial statements') give a true and fair view of the state of the Group's and of the Company's affairs as at 1 January 2017 and of the Group's loss and cash flows for the 79-week period (the 'period') then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited
PizzaExpress Group Holdings Limited's financial statements comprise:

- the Consolidated Statement of Financial Position as at 1 January 2017;
- the Company Statement of Financial Position as at 1 January 2017;
- the Consolidated Statement of Comprehensive Income for the period then ended;
- the Consolidated Cash Flow Statement for the period then ended;
- the Consolidated Statement of Changes in Equity for the period then ended;
- the Company Statement of Changes in Equity for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the Group financial statements is IFRSs as adopted by the European Union and applicable law. The financial reporting framework that has been applied in the preparation of the Company financial statements is United Kingdom Accounting Standards comprising FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice) and applicable law.

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

Opinion on other matter prescribed by the Companies Act 2006
In our opinion, the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors As explained more fully in the Statement of Directors' responsibilities set out on page 44, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK & Ireland) ('ISAs (UK & Ireland)'). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

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

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

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Sarah Quinn
Senior Statutory Auditor
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge
27 April 2017

Consolidated Statement of Comprehensive Income
For the period from 29 June 2015 to 1 January 2017

	Note	79 weeks ended 1 January 2017 £000	45 weeks ended 28 June 2015 £000
Turnover	3	767,736	370,999
Cost of sales		(549,484)	(256,149)
Gross profit		**218,252**	**114,850**
Administrative expenses		(105,824)	(55,839)
Operating profit excluding exceptional items		115,931	69,589
Exceptional items	5	(3,503)	(10,578)
Operating profit	6	**112,428**	**59,011**
Finance income	7	273	86
Finance costs	7	(129,815)	(69,637)
Loss on ordinary activities before taxation		**(17,114)**	**(10,540)**
Taxation on loss on ordinary activities	10	10,259	(6,027)
Loss for the financial period		**(6,855)**	**(16,567)**
Other comprehensive income/(loss):			
Currency translation differences		4,365	(1,467)
Total comprehensive loss for the period		**(2,490)**	**(18,034)**

All results arise from the Group's continuing operations.

The notes on pages 53 to 87 form part of these Consolidated Financial Statements.

Consolidated Statement of Financial Position
As at 1 January 2017

	Note	1 January 2017 £000	28 June 2015 £000
Intangible assets	11	901,983	894,042
Property, plant and equipment	12	233,290	209,428
Trade and other receivables falling due after more than one year	13	2,409	-
Investments	14	32	-
Non-current assets		**1,137,714**	**1,103,470**
Inventories	15	9,727	8,341
Trade and other receivables falling due within one year	13	34,593	29,799
Corporation tax debtor		148	529
Cash and cash equivalents	16	52,008	49,273
Current assets		**96,476**	**87,942**
Trade and other payables falling due within one year	17	(109,484)	(105,311)
Corporation tax creditor		(2,273)	-
Current liabilities		**(111,757)**	**(105,311)**
Net current liabilities		**(15,281)**	**(17,369)**
Trade and other payables falling due after more than one year	17	-	(1,037)
Borrowings	18	(1,036,400)	(981,051)
Provisions for liabilities and charges	19	(1,289)	(2,003)
Deferred tax liability	20	(100,291)	(115,404)
Non-current liabilities		**(1,137,980)**	**(1,099,495)**
Net liabilities		**(15,547)**	**(13,394)**
Share capital	24	-	-
Share premium	24	4,500	4,500
Accumulated losses		(20,047)	(17,894)
Total equity		**(15,547)**	**(13,394)**

The notes on pages 53 to 87 form part of these Consolidated Financial Statements.

The financial statements on pages 49 to 87 were authorised for issue by the Board of Directors on 27 April 2017 and were signed on its behalf.

Andy Pellington
Director

Consolidated Statement of Changes in Equity
For the period from 29 June 2015 to 1 January 2017

	Share capital £000	Share premium £000	Accumulated losses £000	Total equity £000
As at 3 July 2014	**-**	**-**	**-**	**-**
Comprehensive loss				
Loss for the financial period	–	–	(16,567)	(16,567)
Currency translation differences	–	–	(1,467)	(1,467)
Other movements				
Share based payment charge	–	–	140	140
Transactions with owners				
Proceeds from the issue of shares	–	4,500	–	4,500
As at 28 June 2015	**-**	**4,500**	**(17,894)**	**(13,394)**
As at 29 June 2015	**-**	**4,500**	**(17,894)**	**(13,394)**
Comprehensive loss				
Loss for the financial period	–	–	(6,855)	(6,855)
Currency translation differences	–	–	4,365	4,365
Other movements				
Share based payment charge	–	–	337	337
As at 1 January 2017	**-**	**4,500**	**(20,047)**	**(15,547)**

The notes on pages 53 to 87 form part of these Consolidated Financial Statements.

Consolidated Cash Flow Statement
For the period from 29 June 2015 to 1 January 2017

	Note	79 weeks ended 1 January 2017 £000	45 weeks ended 28 June 2015 £000
Loss for the financial period		(6,855)	(16,567)
Share based payment charge	9	337	140
Depreciation and amortisation		38,697	16,455
Impairment charge	12	812	-
Taxation (credit) / charge	10	(10,259)	6,027
Net finance expense	7	129,542	69,551
Disposal of business		(1,156)	-
Loss on the sale of assets		2,410	321
Increase in inventories		(971)	(407)
Increase in trade and other receivables		(4,922)	(3,329)
Increase in trade and other payables		8,294	7,608
Decrease in provisions		(1,009)	(153)
Other non-cash items		(1,949)	-
Cash generated from operations		**152,971**	**79,646**
Taxation paid		(3,296)	(4,344)
Interest paid		(72,532)	(22,477)
Net cash inflow from operating activities		**77,143**	**52,825**
Purchase of property, plant and equipment		(62,632)	(27,593)
Income on disposal of property, plant and equipment		346	-
Purchase of intangible assets	11	(343)	(397)
Purchase of subsidiary undertakings, net of cash acquired		(16,357)	(629,288)
Repayment of loan borrowings acquired through business combinations		-	(304,054)
Purchase of shares	14	(32)	-
Disposal of business		2,471	-
Interest received	7	273	86
Net cash outflow from investing activities		**(76,274)**	**(961,246)**
Proceeds from the issue of share capital		-	4,500
Shareholder loan issued		-	307,617
Loan notes issued		-	669,143
Facility arrangement fee		-	(625)
Debt issue costs		(490)	(22,626)
Net cash (outflow)/inflow from financing activities		**(490)**	**958,009**
Net increase in cash and cash equivalents		**379**	**49,588**
Cash at the beginning of the period		49,273	-
Exchange gain/(loss) on cash and cash equivalents		2,356	(315)
Cash at the end of the period	16	**52,008**	**49,273**

The notes on pages 53 to 87 form part of these Consolidated Financial Statements.

Notes to the Consolidated Financial Statements
For the period from 29 June 2015 to 1 January 2017

1 General information
PizzaExpress Group Holdings Limited is a limited company domiciled and incorporated in the United Kingdom. The Company's registered office is Hunton House, Highbridge Estate, Oxford Road, Uxbridge, Middlesex, United Kingdom, UB8 1LX.

The Group operates an international chain of pizza restaurants, as well as receiving royalty income from sales of retail products and income from the sale of dough products.

2 Summary of significant accounting policies

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

The consolidated financial statements have been prepared on the historical cost basis, except for the fair valuation of assets and liabilities of the subsidiary companies acquired during the period. Separate financial statements are prepared for the Company as a single entity as required by law. These have been prepared under Financial Reporting Standard 101 and are included on pages 88 to 95.

Going concern
The Directors note that as at 1 January 2017, the Group is in a net liabilities position of £15,547,000 (2015: £13,394,000) and a net current liabilities position of £15,281,000 (2015: £17,369,000). The Directors note that the first repayments of the Group's borrowings of £1,036,400,000 are not due until August 2021. In addition, the cash flow forecasts of the Group are closely monitored on a regular basis to ensure that the Group has sufficient cash to meet its liabilities as they fall due. In preparing these consolidated financial statements the Directors have reviewed these cash flow forecasts for the following 12 months from the date of approval of these financial statements and consider that these appropriately demonstrate the ability of the Group to meet its obligations for the foreseeable future. Furthermore, the Group has an undrawn Revolving Credit Facility of £20,000,000 currently readily available until July 2022. Board-approved budgets are prepared on a rolling basis covering a five-year period and in making their assessment of going concern, the Directors have taken into account the most recently approved Five Year Plan, which demonstrates that the Group is able to operate as a going concern. The Directors regularly review the risks facing the business and, where appropriate, adjust the strategy of the business accordingly. The Directors consider that the Group is well-placed to mitigate the risks that it faces. As such, these financial statements have been prepared on a going concern basis.

Change of accounting reference date
During the period, the Group effected its proposal to change its accounting reference date ('ARD') from 30 June to 31 December. These are the first statutory financial statements to be prepared on this basis are therefore prepared for the 79-week period ended 1 January 2017. The comparative period is the 45-week period ended 28 June 2015.

The principal accounting policies are outlined below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2 Summary of significant accounting policies (continued)

Disclosure for new accounting standards effective during the current period
No new standards, amendments or interpretations, effective for the first time for the financial period beginning on or after 29 June 2015 have had a material impact on the group or parent company.

New standards, amendments and interpretations not yet adopted
A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 2 January 2017, and have not been applied in preparing these consolidated financial statement. None of these is expected to have a significant effect on the consolidated financial statements of the Group:

- IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different from that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted, subject to EU endorsement. IFRS 9 is not expected to have a significant impact on the Group.
- IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted subject to EU endorsement. IFRS 15 is not expected to have a significant impact on the Group.
- IFRS 16, 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces IAS 17 'Leases', and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted, subject to EU endorsement and the entity adopting IFRS 15 'Revenue from contracts with customers' at the same time. The full impact of IFRS 16 has not yet been assessed.

2 Summary of significant accounting policies (continued)

Critical accounting estimates and areas of judgment
The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income, expenses and related disclosures. The estimates and underlying assumptions are based on historical experience and other relevant factors. This approach forms the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in accounting estimates may be necessary if there are changes in the circumstances on which the estimate was based or as a result of new information. Such changes are recognised in the period in which the estimate is revised.

The key assumptions about the future and key sources of estimation uncertainty that have a risk of causing a material adjustment to the carrying value of assets and liabilities within the next 12 months, are described below.

Intangible assets
The Group tests its indefinite life intangible assets for impairment annually by reference to value in use. This is calculated using Board-approved budgets covering a five-year period. After this five-year period the cash flows are continued into perpetuity using a growth rate specific to the market. The key assumptions are discount rate, long-term growth rate and forecast cash flows (including number of new site openings). Long-term growth rates are based on external research demonstrating expected long-term growth for each of the markets to which the goodwill relates.

Valuation of identifiable assets and liabilities on acquisitions
The consideration paid on an acquisition is allocated to identifiable assets and liabilities at their estimated fair value, with any excess recognised as goodwill. Fair values are estimates, as active markets do not always exist for assets and liabilities acquired through acquisition and therefore alternative valuation methods are used. The allocation of consideration to identifiable assets and liabilities is made on a provisional basis and is revised based upon improved knowledge in subsequent periods, but no later than one year following the date of acquisition.

The key judgement applied in relation to acquisitions occurring in the period ended 1 January 2017 is the valuation of the Firezza brand. In order to value the brand, management have made certain assumptions around expected future cash flows and discount rate.

Onerous lease and dilapidation provisions
Provisions for onerous leases and dilapidations include estimates such as the length of time a property may be empty for and the value of any make good costs at the end of a lease. Provisions are discounted to present value which requires the use of a discount rate. Provisions are reviewed regularly and adjusted as appropriate.

Useful lives of intangible and tangible assets
Depreciation and amortisation are provided in order to write down to estimated residual values the cost of each asset over its estimated useful economic life. These useful economic lives require the use of management judgement. These estimates are regularly reviewed.

2 Summary of significant accounting policies (continued)

Impairment of tangible assets

Each cash generating unit (CGU) is reviewed annually for indicators of impairment. In assessing whether an asset has been impaired, the carrying value of the CGU is compared to its recoverable amount. The recoverable amount is the higher of its fair value and its value in use. Where value in use is estimated, this is calculated using a discounted cash flow model, which includes assumptions around future performance and the use of an appropriate discount rate. Future projections are compared to actual performance on a regular basis to assess the accuracy of such projections.

Basis of consolidation

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

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Acquisition related costs are expensed as incurred.

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

With the exception of a subsidiary incorporated in the Republic of Ireland, all subsidiaries have coterminous accounting reference dates of 31 December. The Irish subsidiary currently has a year end of 25 December as an intermediate step in the transition to a December year end for all Group companies. All subsidiaries incorporated in the UK & Ireland prepare statutory accounts to the Sunday falling nearest to their accounting reference date.

Business combinations

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

Costs directly relating to an acquisition are expensed to the statement of comprehensive income. The identified assets and liabilities and contingent liabilities are measured at their fair value at the date of acquisition. The excess of the fair value of consideration to acquire the business over the aggregate fair value of the Group's share of the net identified assets and liabilities is recorded as goodwill.

2 Summary of significant accounting policies (continued)

Turnover

Turnover represents net invoiced sales of food and beverages, royalties from retail sales, sales of dough products and franchise fees, all excluding value added tax. Turnover of restaurant services is recognised when the services have been delivered. Royalties from retail sales are recognised in turnover on product delivery or when due under the terms of the relevant retail sales agreements. Turnover from the sale of dough products is recognised on despatch, as this is when the risks and rewards of ownership transfer to the third party. Franchise fees arising outside the United Kingdom are recognised when they fall due under the terms of the relevant franchise agreements.

Allocation of costs

Cost of sales includes the cost of goods sold, direct labour costs and restaurant overheads. Administrative expenses include central and area management, administration and head office costs.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the statement of financial position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the statement of financial position date.

Property, plant and equipment

Tangible fixed assets are stated at original historical purchase cost less accumulated depreciation.

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided at the following annual rates in order to write down the cost of each asset over its estimated useful economic life on a straight-line basis:

Equipment	20% per annum
Fixtures and fittings	10% per annum

Short leasehold improvements are depreciated over the length of the lease except where the anticipated renewal or extension of the lease is sufficiently certain so that a longer estimated useful life is appropriate. Current legislation and the terms of the lease contracts are such that the majority leases are readily extendable. The maximum depreciation period for short term leasehold properties is 30 years.

Assets under construction include tangible fixed assets acquired for restaurants under construction including costs directly attributable to bringing the asset into use. Assets are transferred to short leasehold, equipment or fixtures and fittings when the restaurant opens. No depreciation is provided on assets under construction as these assets have not been brought into working condition for intended use by the Group.

2 Summary of significant accounting policies (continued)

Intangible assets (excluding goodwill and brand)
Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is provided at the following annual rates in order to write down to estimated residual values the cost of each asset over its estimated useful economic life on a straight line basis:

Computer software and trademarks	6.66%–20% per annum

Goodwill and brand goodwill
Goodwill arising on consolidation represents the excess of consideration transferred over the interest in the net fair value of the net assets acquired. Brand values arising on consolidation relate to externally acquired, separable brand names and are valued at the date of acquisition. Brand values are either amortised over 20 years or considered to have an indefinite useful life.

An impairment review is carried out annually for goodwill and indefinite life brand values, or when circumstances arise that may indicate an impairment is likely. The carrying value of the goodwill allocated to each cash generating unit is compared to its recoverable amount being the higher of its value in use and its fair value less costs to sell. Any impairment is charged immediately to the consolidated statement of comprehensive income.

Operating leases
Rentals paid under operating leases are charged to the income statement on a straight line basis over the term of the lease. The benefit of lease incentives are taken to the income statement on a straight line basis over the lease term. Contributions received from landlords as an incentive to enter into a lease are treated as deferred income within creditors and are taken to the income statement on a straight line basis over the lease term. Rentals received under operating leases are credited to the income statement on a straight line basis over the term of the lease.

Exceptional items
Exceptional items are material items of income and expense that, because of the unusual nature and expected infrequency of the events giving rise to them, merit separate presentation to allow an understanding of the Group's underlying financial performance.

Pensions
Contributions to defined contribution personal pension schemes are charged to the income statement in the period in which they become payable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

Taxation
The tax expense represents the sum of current tax and deferred tax.

Current taxation
Current tax payable is based on taxable profit for the period which differs from accounting profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and those items never taxable or deductible. The Group's liability for current tax is measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred taxation
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the substantively enacted tax rates at the balance sheet date that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in comprehensive income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is dealt with in equity, or items charged or credited directly to other comprehensive income, in which case the deferred tax is also recognised in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets and liability and when the Group intends to settle its current tax assets and liabilities on a net asset basis.

Inventory
Inventories are valued at the lower of cost and net realisable value. Cost is based on the purchase cost on a first-in, first-out basis. Inventories comprises food and drink and items that are utilised in the rendering of services to customers.

Rebates receivable from suppliers
Where a rebate agreement with a supplier covers more than one period the rebates are recognised in the financial statements in the period in which they are earned.

Foreign currency transactions
Transactions denominated in foreign currencies are recorded at the spot rate applicable at the date of the transaction. Monetary assets and liabilities expressed in foreign currencies held at the balance sheet date are translated at the closing rate. The resulting exchange gain or loss is dealt with in the income statement. The results of foreign subsidiaries are translated at the average rate. The balance sheets of foreign subsidiaries are translated at the closing rate. The resulting exchange differences are dealt with through reserves and are reported in the consolidated statement of comprehensive income and expense.

2 Summary of significant accounting policies (continued)

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

Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for impairment. A provision for impairment is established when the carrying value of the receivable exceeds the present value of the future cash flows discounted using the original effective interest rate. The carrying value of the receivable is reduced and any impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand and other short term deposits held by the Group with maturities of less than three months. Bank overdrafts are presented within current liabilities.

Borrowings
Borrowings are initially stated at the fair value of consideration received after deduction of issue costs and including any premium received on issue. The issue costs and interest payable on borrowings are charged to the profit and loss account over the term of the borrowings using the effective rate of interest, or over a shorter period where it is more likely than not that the lender will require earlier repayment or where the borrower intends or is required to redeem early. Facility fees on revolving credit facilities are included within prepayments and amortised over the term of the facility.

Trade payables
Trade payables are not interest bearing and are recognised initially at fair value and subsequently measured at amortised cost.

Provisions
Provisions are recognised when the Group has a present legal obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reliably estimated. Where the effect of the time value of money is material, the provision is based on the present value of future outflows, discounted at the pre-tax discount rate that reflects the risks specific to the liability. Provisions for onerous leases are recognised when there are foreseeable net cash outflows on a lease which has more than one year before expiring or option to exercise a break.

Share-based payments
The Group operates a share scheme under which shares and share options are granted to certain employees. The schemes meet the definition of equity-settled and cash-settled share-based payment schemes. The costs of equity-settled transactions are measured at fair value at the date of grant. The costs of cash-settled transactions are measured at fair value at the date of grant and then revalued at each reporting date. The costs are expensed on a straight line basis over the vesting period and are adjusted to reflect the actual number of share that are expected to vest.

2 Summary of significant accounting policies (continued)

Employee benefit trust
The Group operates an employee benefit trust (EBT) in conjunction with the share schemes in place. As the Group is considered to have control over the EBT it is consolidated as a subsidiary and the shares held by the trust are shown as an investment, as they relate to an entity outside the Group which is consolidated.

Segmental reporting
Operating segments are identified using the level of information that is regularly reviewed by the Chief Operating Decision Maker (CODM) in order to allocate resources. The CODM has been identified as the Group Board of Directors. The Group Board of Directors reviews Income Statement information split between UK & Ireland and International. This split is also consistent with budget approval and the level at which segment management exists. Statement of Financial Position information is reviewed at a Group level by the CODM and therefore no split of segmental information is disclosed in these Financial Statements.

3 Turnover

Business segment analysis
The split of turnover by business segment is as follows:

	79 weeks ended 1 January 2017 £000	45 weeks ended 28 June 2015 £000
Restaurant income	743,563	353,892
Merchandising income	16,073	9,951
Wholesale income	6,346	3,880
Overseas franchise income	1,754	3,276
	767,736	370,999

Geographical segmental analysis
The split of turnover by material geographical segment is as follows:

	79 weeks ended 1 January 2017 £000	45 weeks ended 28 June 2015 £000
UK & Ireland	670,522	364,338
China	80,755	3,096
Other international geographies	16,459	3,565
	767,736	370,999

In determining what constitutes a material geography, the Group applies a threshold of 10% of total Group turnover.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Segmental reporting

As outlined in the Group's accounting policy, the Group has two reportable segments, being the UK & Ireland and International.

	79 weeks ended 1 January 2017 £000	45 weeks ended 28 June 2015 £000
Turnover		
UK & Ireland	670,522	364,338
International	97,214	6,661
	767,736	370,999
Operating profit/(loss)		
UK & Ireland	115,112	58,336
International	(2,684)	675
	112,428	59,011
Depreciation and amortisation		
UK & Ireland	(29,930)	(16,106)
International	(8,767)	(349)
	(38,697)	(16,455)
Exceptional items		
UK & Ireland	(3,038)	(10,578)
International	(465)	–
	(3,503)	(10,578)

5 Exceptional items

	79 weeks ended 1 January 2017 £000	45 weeks ended 28 June 2015 £000
Impairment of property, plant and equipment	812	-
Profit on disposal of business	(1,156)	-
Inventory write off	1,196	-
Acquisition related costs	2,179	10,178
Legal claim	-	300
GAAP transition	-	100
Other exceptional items	472	-
	3,503	10,578

Acquisition related costs in the period ended 1 January 2017 relate to the acquisition of the Firezza business and additional costs in respect of acquisitions that completed in the prior period. Acquisition related costs in the prior period were incurred in relation to the acquisition of the PizzaExpress Group and the UAE and China franchise businesses (see note 25 for details of these acquisitions). The acquisition related costs include legal and professional fees incurred as part of the purchase process, such as stamp duty, fees for due diligence and drafting and review of legal documents.

The profit on disposal of business in the period ended 1 January 2017 relates to the sale of the leasehold interest and brand name rights in relation to the site previously operating as Kettner's in Soho, London. Included within the profit on disposal is a loss on disposal of property, plant and equipment of £1,315,000.

6 Operating profit

Operating profit has been arrived at after charging/(crediting):

	79 weeks ended 1 January 2017 £000	45 weeks ended 28 June 2015 £000
Rent—operating leases	83,699	34,211
Rental income	(2,602)	(1,772)
Depreciation of property, plant and equipment	37,610	15,914
Loss on disposal of property, plant and equipment	2,221	484
Amortisation of intangible assets	1,087	541
Loss on disposal of intangible assets	189	–
Decrease in provisions	(1,009)	–
Exchange differences	(1,789)	173
Inventories recognised as an expense	135,420	67,290
During the period the Group incurred costs relating to services provided by the Group's auditors:		
– Audit of parent and subsidiary companies	377	184
– Corporate finance services	115	244
– GAAP transition	–	42
– Other assurance services	113	36

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 Finance income and finance costs

Finance income	79 weeks ended 1 January 2017 £000	45 weeks ended 28 June 2015 £000
Other interest receivable	273	86

Finance costs	79 weeks ended 1 January 2017 £000	45 weeks ended 28 June 2015 £000
Interest on loan notes	72,143	40,571
Interest on shareholder loan	51,932	26,536
Amortisation of loan issue costs	4,083	2,100
Other interest payable	1,657	430
	129,815	69,637

8 Staff costs

The aggregate remuneration for the employees of the Group comprised:

	79 weeks ended 1 January 2017	45 weeks ended 28 June 2015
	£000	£000
Wages and salaries	238,968	117,383
Social security costs	14,074	7,212
Other pension costs	2,423	651
	255,465	125,246

The average monthly number of persons (including Executive Directors) employed by the Group during the period was:

	79 weeks ended 1 January 2017	45 weeks ended 28 June 2015
	No	No
Restaurants	13,799	10,737
Central	418	210
	14,217	10,947

The aggregate remuneration to Directors of the Group comprised:

	79 weeks ended 1 January 2017	45 weeks ended 28 June 2015
	£000	£000
Fees and wages	1,182	1,041
Share-based payment charge	186	64
	1,368	1,105

Included within Directors' emoluments is £119,000 (2015: £53,000) relating to cash pension allowances.

The highest paid director received remuneration of £704,000 (2015: £615,000), including £71,000 (2015: £32,000) in relation to a cash pension allowance, and the share-based payment charge was £139,000 (2015: £48,000).

During the period no (2015: two) directors received shares under the long-term incentive schemes.

See note 28 for details of Key Management Personnel remuneration.

9 Share-based payments

The Group operates a share scheme under which shares and share options (collectively 'awards') in the parent entity of the Company, Pizza Deliziosa Limited, are granted to certain senior employees of the Group. The awards are not subject to any performance conditions but are subject to forfeiture on cessation of employment. The awards only deliver a return to the employees on the sale of the indirect parent entity in which the shares are held and only in the event that the proceeds for the sale exceed the level of debt held in the subsidiaries of Pizza Deliziosa Limited, the indirect parent entity of the Company.

Movements in the number of awards issued under the scheme and their related weighted average exercise prices are as follows:

	79 weeks ended 1 January 2017		45 weeks ended 28 June 2015	
	Average exercise price per share	Shares	Average exercise price per share	Shares
	£	No	£	No
At the beginning of the period	465.37	74,750	–	–
Granted	465.37	7,625	465.37	74,750
Forfeited	465.37	(14,900)	–	–
Purchased by Employee Benefit Trust	465.37	14,900	–	–
At the end of the period	**465.37**	**82,375**	**465.37**	**74,750**

Awards outstanding at the end of the period have the following expiry date and exercise prices:

	79 weeks ended 1 January 2017		45 weeks ended 28 June 2015	
	Exercise price per share	Shares	Exercise price per share	Shares
Grant-vest	£	No	£	No
December 2014 - December 2018	465.37	69,500	465.37	69,500
March 2015 - December 2018	465.37	2,500	465.37	2,500
April 2015 - December 2018	465.37	2,750	465.37	2,750
March 2016 - December 2018	465.37	7,625	-	-
At the end of the period		**82,375**		**74,750**

9 Share-based payments (continued)

Assumptions used in valuation of awards granted during the period ended 1 January 2017 and the comparative period are as follows:

	B Shares	B Shares	C Shares
Model	Black-Scholes	Black-Scholes	Black-Scholes
Grant date	Mar 16	Dec 14, Mar 15, Apr 15	Dec 14
Share price	£322.44	£280.98	£280.98
Exercise price	£465.37	£465.37	£465.37
Volatility	24.40%	24.40%	24.40%
Expected term	2.8 years	4 years	4 years
Risk free rate	1.10%	1.10%	1.10%
Dividend yield	0.00%	0.00%	0.00%
Fair value per share	£20.53	£15.70	£15.70
Acquisition cost	£ nil	£ nil	£5.00
Fair value less acquisition cost	£20.53	£15.70	£10.70
Number of shares subject to award	7,625	53,250	20,000

The expense recognised in the period for share based payments relating to share based payments transactions is £337,000 (2015: £140,000).

10 Taxation on loss on ordinary activities

	79 weeks ended 1 January 2017 £000	45 weeks ended 28 June 2015 £000
Corporation tax		
Current tax on losses for the period	6,916	4,710
Adjustments in respect of previous periods	(1,315)	–
Taxation charge for the period	**5,601**	**4,710**
Deferred tax		
Origination and reversal of timing differences	1,569	1,317
Changes to tax rates	(17,599)	–
Adjustments in respect of previous periods	170	–
Taxation (credit)/charge for the period	**(15,860)**	**1,317**
Total taxation (credit)/charge for the period	**(10,259)**	**6,027**

10 Taxation on loss on ordinary activities (continued)

The tax assessed for the period is lower (2015: higher) than the standard rate of corporation tax in the United Kingdom of 20% (2015: 20.81%). The differences are reconciled below:

	79 weeks ended 1 January 2017 £000	45 weeks ended 28 June 2015 £000
Loss on ordinary activities before taxation	(17,114)	(10,540)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.81%)	(3,423)	(2,193)
Effects of:		
(Capital allowances in excess of depreciation)/ Depreciation in excess of capital allowances	(2,351)	43
Depreciation on non-qualifying assets	1,326	705
Interest not deductible for tax purposes	10,211	5,522
Acquisition costs not deductible for tax purposes	–	2,118
Other (income)/expenses not deductible for tax purposes	(635)	473
Effect of overseas tax at lower rate	(1,888)	(689)
Timing difference relating to consolidation adjustments	(15,487)	–
Losses carried forward	2,442	–
Adjustments in respect of previous periods	(1,144)	–
S455 taxation	(82)	–
Capital gains	772	48
Total taxation (credit)/charge for the period	**(10,259)**	**6,027**

Factors that may affect future tax charges
Any changes in the rate of corporation tax in the territories in which the Group operates will have an impact on the future tax charge. Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 16 March 2016. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. These changes had been substantively enacted at the balance sheet date and therefore their impact is included in these financial statements.

Based on current capital investment plans, the Group expects to be able to claim capital allowances in excess of depreciation in future periods.

11 Intangible assets

28 June 2015	Goodwill £000	Trademarks £000	Computer Software £000	Brand £000	Total £000
Cost					
Acquisition of subsidiaries – PizzaExpress Group	324,459	149	1,340	515,000	840,948
Acquisition of subsidiaries – Jordana Restaurants LLC	3,656	–	–	–	3,656
Acquisition of subsidiaries – PizzaExpress (Hong Kong) Limited	49,582	–	–	–	49,582
Additions in period	–	50	347	–	397
As at 28 June 2015	**377,697**	**199**	**1,687**	**515,000**	**894,583**
Accumulated amortisation					
Charge for the period	–	–	(541)	–	(541)
As at 28 June 2015	**–**	**–**	**(541)**	**–**	**(541)**
Net book value					
As at 28 June 2015	**377,697**	**199**	**1,146**	**515,000**	**894,042**

1 January 2017	Goodwill £000	Trademarks £000	Computer Software £000	Brand £000	Total £000
Cost					
As at 29 June 2015	377,697	199	1,687	515,000	894,583
Additions	–	251	92	–	343
Acquisition of subsidiaries	1,616	–	28	3,662	5,306
Adjustment to fair values on acquisition	750	–	–	–	750
Adjustment to consideration	(74)	–	–	–	(74)
Disposals	–	–	(252)	–	(252)
Transfers	–	–	1,964	–	1,964
Foreign exchange	934	–	7	–	941
As at 1 January 2017	**380,923**	**450**	**3,526**	**518,662**	**903,561**
Accumulated amortisation					
As at 29 June 2015	–	–	(541)	–	(541)
Charge for the period	–	(34)	(900)	(153)	(1,087)
Disposals	–	–	63	–	63
Transfers	–	–	–	–	–
Foreign exchange	–	–	(13)	–	(13)
As at 1 January 2017	**–**	**(34)**	**(1,391)**	**(153)**	**(1,578)**
Net book value					
As at 1 January 2017	**380,923**	**416**	**2,135**	**518,509**	**901,983**
As at 28 June 2015	377,697	199	1,146	515,000	894,042

11 Intangible assets (continued)

Goodwill

The goodwill balance has been allocated to the following cash generating units ('CGU'):

	UK & Ireland £000	China £000	UAE £000	Firezza £000	Total £000
Cost					
As at 29 June 2015	324,459	49,582	3,656	–	377,697
Acquisition of subsidiaries	–	–	–	1,616	1,616
Adjustment to fair values on acquisition	–	750	–	–	750
Adjustment to consideration	–	(74)	–	–	(74)
Foreign exchange	–	934	–	–	934
As at 1 January 2017	**324,459**	**51,192**	**3,656**	**1,616**	**380,923**

The goodwill recognised in relation to UK & Ireland relates to the acquisition of the ordinary share capital of PizzaExpress Operations Limited (formerly Gondola Investments Limited), PizzaExpress (Franchises) Limited and PizzaExpress Greater China Limited. The goodwill recognised in relation to China relates to PizzaExpress (Hong Kong) Limited and its subsidiaries. The goodwill recognised in relation to UAE relates to the acquisition of Jordana Restaurants LLC. The goodwill recognised in relation to Firezza relates to the acquisition of Firezza Holdings Limited and its subsidiary. Each of these acquisition groups is considered to be a single CGU.

Each goodwill balance is tested annually for impairment by reference to value in use. This is calculated using Board approved budgets covering a five year period. After this five year period the cash flows are continued into perpetuity using a growth rate specific to the market. The key assumptions are discount rate, long-term growth rate and forecast cash flows (including number of new site openings). Long-term growth rates are based on external research demonstrating expected long term growth for each of the markets to which the goodwill relates.

The following table sets out the key assumptions used for the value in use calculation.

	UK & Ireland	China	UAE	Firezza
Discount rate	8.5%	9.5%	10.5%	9.0%
Long term growth rate	2.0%	3.0% - 5.0%	3.0%	2.0%

Brand

The brands recognised as intangible assets relate to the PizzaExpress brand and the Firezza brand. The latter was acquired during the period with the acquisition of the Firezza business. The brand was valued using a discounted five year cash flow forecast and after the five years the cash flows were taken into perpetuity. The PizzaExpress brand is considered to have an indefinite life due to the history, profit and market position of the trade name. The Firezza brand is considered to have a life of 20 years.

12 Property, plant and equipment

28 June 2015	Assets under construction £000	Short leasehold £000	Furniture and fittings £000	Equipment £000	Total £000
Cost					
Acquisition of subsidiaries – PizzaExpress Group	7,397	144,539	27,587	8,298	187,821
Acquisition of subsidiaries – Jordana Restaurants LLC	–	42	578	336	956
Acquisition of subsidiaries – PizzaExpress (Hong Kong) Limited	–	6,718	1,040	1,952	9,710
Additions	19,553	1,511	4,437	3,034	28,535
Disposals	–	(1,052)	(266)	(472)	(1,790)
Transfers	(24,356)	15,834	6,588	1,934	–
Foreign exchange	–	(1,736)	(396)	(424)	(2,556)
As at 28 June 2015	**2,594**	**165,856**	**39,568**	**14,658**	**222,676**
Accumulated depreciation and impairment					
Charge for the period	–	(8,262)	(4,270)	(3,382)	(15,914)
Disposals	–	855	91	523	1,469
Foreign exchange	–	669	200	328	1,197
As at 28 June 2015	**–**	**(6,738)**	**(3,979)**	**(2,531)**	**(13,248)**
Net book value					
As at 28 June 2015	**2,594**	**159,118**	**35,589**	**12,127**	**209,428**

12 Property, plant and equipment (continued)

1 January 2017	Assets under construction £000	Short leasehold £000	Furniture and fittings £000	Equipment £000	Total £000
Cost					
As at 29 June 2015	2,594	165,856	39,568	14,658	222,676
Additions	37,748	9,654	8,261	6,919	62,582
Acquisition of subsidiaries	–	784	449	–	1,233
Disposals	–	(9,792)	(2,495)	(3,056)	(15,343)
Transfers	(31,892)	14,656	14,054	1,218	(1,964)
Foreign exchange	(977)	5,880	2,053	1,789	8,745
As at 1 January 2017	**7,473**	**187,038**	**61,890**	**21,528**	**277,929**
Accumulated depreciation and impairment					
As at 29 June 2015	–	(6,738)	(3,979)	(2,531)	(13,248)
Charge for the period	–	(19,617)	(10,647)	(7,346)	(37,610)
Disposals	–	6,995	1,677	2,790	11,462
Impairment charge	–	(812)	–	–	(812)
Transfers	–	–	–	–	–
Foreign exchange	–	(2,501)	(837)	(1,093)	(4,431)
As at 1 January 2017	**–**	**(22,673)**	**(13,786)**	**(8,180)**	**(44,639)**
Net book value					
As at 1 January 2017	**7,473**	**164,365**	**48,104**	**13,348**	**233,290**
As at 28 June 2015	2,594	159,118	35,589	12,127	209,428

For the purposes of tangible asset impairment reviews, the Group considers each trading outlet to be a CGU and each CGU is reviewed annually for indicators of impairment of tangible assets. In assessing whether an asset has been impaired, the carrying value of the CGU is compared to its recoverable amount. The recoverable amount is the higher of its fair value and its value in use.

The Group estimates value in use using a discounted cash flow model. Future cash flows are based on assumptions from the business plans and cover a one-year period.

13 Trade and other receivables

	1 January 2017	28 June 2015
	£000	£000
Amounts falling after more than one year		
Non-current rental deposits	2,200	–
Other receivables	209	–
	2,409	–

	1 January 2017	28 June 2015
	£000	£000
Amounts falling due within one year		
Trade receivables	5,750	5,688
Prepayments	16,043	16,259
Accrued income	3,763	2,429
Taxation and social security	796	–
Other receivables	8,241	5,423
	34,593	29,799

Other receivables falling due within one year include current rental deposits of £2,849,000 (2015: £2,683,000).

The fair value of the financial instruments included within trade and other receivables are not considered to be materially different from their carrying value, as the impact of the discounting is not significant. The fair values are based on discounted cash flows and are within level 3 of the fair value hierarchy.

14 Investments

	Investments
	£000
Cost	
As at 29 June 2015	–
Additions	32
As at 1 January 2017	**32**
Net book value	
As at 1 January 2017	**32**
As at 28 June 2015	–

The increase in investments during the year relates to shares in a parent company that have been purchased by the Employee Benefit Trust (EBT). As described in note 2, the Group has control over the EBT and it is therefore consolidated within these financial statements.

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15 Inventories

	1 January 2017	28 June 2015
	£000	£000
Food and drink	4,555	3,227
Equipment	5,172	5,114
	9,727	8,341

Inventory write downs of £1,196,000 (note 5) were recognised in the period within exceptional costs. Equipment relates to items utilised in the rendering of services to customers.

16 Cash and cash equivalents

	1 January 2017	28 June 2015
	£000	£000
Cash at bank and in hand	52,008	49,273

17 Trade and other payables

	1 January 2017	28 June 2015
	£000	£000
Amounts falling after more than one year		
Accruals	–	1,037

Accruals falling due in more than one year in the prior period related to deferred consideration for the acquisition of PizzaExpress (Hong Kong) Limited and subsidiaries.

	1 January 2017	28 June 2015
	£000	£000
Amounts falling due within one year		
Trade payables	20,721	14,832
Accruals	64,568	61,526
Deferred income	4,649	2,361
Other payables	2,137	10,662
Taxation and social security	17,409	15,930
	109,484	105,311

Other payables falling due within one year include a wages creditor of £125,000 (2015: £8,905,000).

The fair values of the financial instruments included within trade and other payables is not considered to be materially different from their carrying value, as the impact of the discounting is not significant. The fair values are based on discounted cash flows and are within level 3 of the fair value hierarchy.

18 Borrowings

	1 January 2017 £000	28 June 2015 £000
Senior Notes and Senior Secured Notes	650,315	646,898
Loan from parent	386,085	334,153
	1,036,400	981,051

The fair value of the financial instruments included within borrowings are not considered to be materially different from their carrying value, as the impact of the discounting is not significant. The fair values are based on discounted cash flows and are within level 3 of the fair value hierarchy.

The Group's loan facilities as at 1 January 2017 comprise:

Senior Notes and Senior Secured Notes
The loan notes comprise Senior Notes and Senior Secured Notes, in addition to debt issue costs offset against the loan balance and premiums on issue of the notes.

The Senior Secured Notes of £465,000,000 (2015: £465,000,000) carry interest at a fixed rate of 6.625% and are due for repayment at the maturity date in August 2021. The Senior Notes comprise £410,000,000 of notes issued on 31 July 2014 and a further £55,000,000 of notes issued on 2 June 2015. On 25 August 2014 the notes were listed on the Irish Stock Exchange.

Debt issue costs of £15,928,000 (2015: £15,885,000) have been capitalised and offset against the loan note principal balance. The issue costs are being amortised over the term to maturity and at 1 January 2017, unamortised issue costs amounted to £11,391,000 (2015: £14,360,000). A premium of £2,888,000 was received on the notes issued on 2 June 2015. The premium has been added to the loan note liability and is being amortised over the term to maturity. At 1 January 2017 the unamortised premium was £2,248,000 (2015: £2,863,000).

The Senior Notes of £200,000,000 (2015: £200,000,000) carry interest at a fixed rate of 8.625% and are due for repayment at the maturity date in August 2022. The notes were issued on 31 July 2014.

Debt issue costs of £7,188,000 (2015: £7,180,000) have been capitalised and offset against the loan note principal balance. The issue costs are being amortised over the term to maturity and at 1 January 2017, unamortised issue costs amounted to £5,542,000 (2015: £6,605,000).

Loan from parent
The loan from parent of £307,617,000 accrues interest at a compound fixed rate of 10% per annum and is due for repayment at the maturity date in August 2024. Interest of £51,932,000 (2015: £26,536,000) was accrued against the loan during the period. Interest shall accrue and be aggregated with the principal balance until such time that the loan is repaid.

On 14 August 2015, PizzaExpress Group Holdings Limited listed the principal value of the loan from the parent of £307,617,000 on the Channel Island Stock Exchange. This did not have any impact on the terms of the loan.

19 Provisions for liabilities and charges

	79 weeks ended 1 January 2017 £000	45 weeks ended 28 June 2015 £000
As at the beginning of the period	(2,003)	-
Acquisition of subsidiaries	(140)	(2,015)
Utilised during the period	1,009	154
Release of discount	(131)	(142)
Foreign exchange movement	(24)	-
As at the end of the period	**(1,289)**	**(2,003)**

Provisions for liabilities and charges relate to onerous lease and dilapidation provisions. These provisions represent operating leases on properties no longer in use, until the end of their leases or until the Directors estimate the properties can be sublet, as well as an estimate of dilapidations payable on leases held by the Group. This provision is expected to be utilised within the next five years.

20 Deferred tax liability

	79 weeks ended 1 January 2017 £000	45 weeks ended 28 June 2015 £000
As at the beginning of the period	(115,404)	-
Acquisition of subsidiaries	(739)	(114,115)
Credit for the period	15,860	(1,317)
Foreign exchange movement	(8)	28
As at the end of the period	**(100,291)**	**(115,404)**

The deferred tax liability can be analysed as follows:

	1 January 2017 £000	28 June 2015 £000
Capital allowances in excess of depreciation	(11,347)	(13,484)
Carried forward fair value of brand on consolidation	(88,172)	(103,000)
Other timing differences	(772)	1,080
	(100,291)	(115,404)

The Group expects to recover the deferred tax liability after more than 12 months.

21 Financial risk management

The main financial risks associated with the Group have been identified as liquidity risk, interest rate risk, foreign exchange risk and credit risk. The Directors are responsible for managing these risks and the policies adopted are set out below.

Liquidity risk
The Group finances its operations through a mixture of equity (Company share capital, reserves and retained earnings) and debt. The Group manages its liquidity risk by monitoring its existing facilities for both financial covenant and funding headroom against forecast requirements based on short term and long term cash flow forecasts.

Maturity analysis
The following table sets out the contractual undiscounted maturities including estimated cash flows of the financial liabilities of the Group at 1 January 2017:

	Less than 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
	£000	£000	£000	£000	£000
1 January 2017					
Loans and borrowings	–	–	465,000	586,085	1,051,085
Trade and other payables	75,194	–	–	–	75,194
	75,194	**–**	**465,000**	**586,085**	**1,126,279**
28 June 2015					
Loans and borrowings	–	–	–	999,153	999,153
Trade and other payables	91,491	1,230	–	–	92,721
	91,491	**1,230**	**–**	**999,153**	**1,091,874**

The £1,051,085,000 (2015: £999,153,000) of loans and borrowings are due for repayment as follows:

	1 January 2017	28 June 2015
	£000	£000
August 2021	465,000	465,000
August 2022	200,000	200,000
August 2024	386,085	334,153
	1,051,085	**999,153**

21 Financial risk management (continued)

Interest rate risk
Interest rate risk reflects the Group's exposure to fluctuations in interest rates in the market. All of the financial liabilities of the Group are either non-interest bearing or charged at a fixed rate of interest.

The following table sets out the interest rate risk associated with the Group's financial liabilities at 1 January 2017:

	Fixed rate	Floating rate	Non-interest bearing	Total
	£000	£000	£000	£000
1 January 2017				
Loans and borrowings	1,051,085	–	–	1,051,085
Trade and other payables	–	–	74,994	74,994
	1,051,085	**–**	**74,994**	**1,126,079**
28 June 2015				
Loans and borrowings	999,153	–	–	999,153
Trade and other payables	–	–	91,818	91,818
	999,153	**–**	**91,818**	**1,090,971**

The financial assets of the Group amounting to £70,739,000 (2015: £62,812,000) include cash and cash equivalents amounting to £52,008,000 (2015: £49,273,000) which are interest bearing. All other financial assets are non-interest bearing.

At present the Group does not manage its interest rate risk through interest rate swap contracts or any other derivatives.

Foreign currency risk
The Group is exposed to changes in foreign currency rates. Foreign exchange risk arises from future commercial transactions as the Group purchases certain goods from European suppliers. This is partially mitigated at the group level by a subsidiary company generating income in Euros.

The Group has subsidiaries whose functional currency is not sterling and is therefore exposed to translation risk in relation to these entities.

Where the Group expects to undertake a significant transaction in a foreign currency, foreign exchange forward contracts are utilised. As the Group expects to expand internationally and will be exposed to more foreign exchange risk, it will develop a hedging strategy using derivatives to manage this risk.

21 Financial risk management (continued)

Credit risk
The Group's credit risk predominantly arises from trade receivables and cash and cash equivalents.

Trade and other receivables comprise mainly card payments receivable, therefore credit risk is considered to be low. Trade and other receivables also includes rebates, franchise and royalty fees due.

Credit risk also arises on cash and cash equivalents held with banks.

An analysis of the ageing of trade receivables is given below.

	1 January 2017 £000	28 June 2015 £000
Current	4,960	5,607
0-30 days	82	71
30-60 days	555	-
More than 60 days	153	10
	5,750	5,688

As at 1 January 2017, trade or other receivables of £64,000 were impaired (2015: £nil).

Capital management
The Group's policies seek to protect returns to shareholders by ensuring the Group will continue to trade profitably in the foreseeable future. The Group also aims to optimise its capital structure of debt and equity so as to minimise its cost of capital.

The capital of the Group is summarised as follows:

	1 January 2017 £000	28 June 2015 £000
Total borrowings	1,036,400	981,051
Less cash and cash equivalents	(52,008)	(49,273)
Net debt	984,392	931,778
Total equity	(15,547)	(13,394)
Total capital	968,845	918,384

The Group manages its capital with regard to the risks inherent in the business and the sector within which it operates by monitoring its actual cash flows against debt maturities, financial covenants and the cash flow forecasts reviewed by the Directors.

22 Financial instruments

The following tables categorise the Group's financial assets and liabilities included in the consolidated statement of financial position:

	1 January 2017 £000	28 June 2015 £000
Financial assets		
Trade and other receivables	18,731	13,539
Cash and cash equivalents	52,008	49,273
	70,739	62,812
Financial liabilities		
Trade and other payables	72,969	91,818
Loans and borrowings	1,051,085	999,153
	1,124,054	1,090,971

No available for sale financial assets or derivatives at fair value were held at 1 January 2017 or 28 June 2015.

Fair value estimation
The different levels of fair value have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is unobservable inputs)

The Group's financial instruments are all measured at amortised cost. The fair value of these financial instruments is not considered to be materially different from their amortised cost value.

23 Pensions

The Group operates a defined contribution pension scheme and the pension costs charged to the income statement are the amounts paid by the Group to the scheme during the period.

The pension contribution recognised in the income statement during the period was £2,423,000 (2015: £651,000). Contributions totalling £269,000 (2015: £44,000) were outstanding at period end and are shown in other creditors.

24 Share capital and share premium

	1 January 2017		28 June 2015	
	Nº	£000	Nº	£000
Share capital				
100 (28 June 2015: 100) Ordinary shares of £1 each	100	–	100	–
Share premium				
Share premium		4,500		4,500

The Company was incorporated on 3 July 2014 with the issue of 1 Ordinary £1 share for total consideration of £1. On 18 August 2015 a further 99 Ordinary £1 shares were issued for total consideration of £4,499,999.

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25 Acquisitions

Firezza Holdings Limited and Firezza Limited

On 22 February 2016, PizzaExpress Limited acquired Firezza Holdings Limited and its subsidiary Firezza Limited. The total consideration paid to acquire these businesses, including repayment of debt, amounted to £5,825,000 and the consideration paid is considered to be the fair value. The transaction is accounted for using the acquisition method of accounting.

	Fair value £000
Intangible assets	3,690
Property, plant and equipment	1,233
Inventories	74
Trade and other receivables	712
Cash and cash equivalents	502
Trade and other payables	(1,707)
Loans and borrowings	(479)
Deferred tax liability	(739)
Provisions	(140)
	3,146
Satisfied by:	
Cash consideration	4,762
Total purchase price	**4,762**
Goodwill arising on acquisition	**1,616**

In addition to the cash consideration of £4,762,000, a payment of £1,063,000 was made to the acquired companies for the repayment of existing liabilities.

Acquisition-related costs of £566,000 have been charged to exceptional expenses in the consolidated income statement for the period ended 1 January 2017 (note 5).

The financing of the acquisition was provided by cash generated by the operations of the Group.

Upon acquisition the assets and liabilities of the acquired entities were fair valued, resulting in the recognition of the value of the Firezza brand name and the related deferred tax impact, in addition to a dilapidation provision. The acquired brand value is considered to have a useful life of 20 years.

The goodwill arising on the acquisition of the Firezza business is attributable to the future anticipated profitability of the business. The goodwill is not deductible for tax purposes.

Had Firezza Holdings Limited and Firezza Limited been consolidated from 29 June 2015 the consolidated statement of income would show revenue of £77,921,000 and a loss of £4,882,000.

25 Acquisitions (continued)

PizzaExpress (Hong Kong) Limited
On 12 May 2015, PizzaExpress Group Limited entered into a sale and purchase agreement with The Greater China Restaurant Company Limited to acquire all of the issued share capital of PizzaExpress (Hong Kong) Limited, a company incorporated in Hong Kong, and its subsidiaries, for a purchase price of £64,262,000. The acquisition completed on 10 June 2015.

The goodwill that was calculated in relation to this acquisition was adjusted in the period ended 1 January 2017 for additional fair value increase in the assets and liabilities acquired. This has led to an adjustment to goodwill of £750,000.

The revised fair value of net acquired is shown below:

	Fair value £000
Property, plant and equipment	9,906
Inventories	583
Trade and other receivables	6,108
Cash and cash equivalents	2,710
Trade and other payables	(5,377)
	13,930
Satisfied by:	
Cash consideration payable on acquisition	52,519
Cash consideration accrued at period end	2,727
Deferred consideration payable June 2016	7,979
Deferred consideration payable June 2017	1,037
Total purchase price	**64,262**
Goodwill arising on acquisition	**50,332**

26 Contingent liabilities

On 31 July 2014, various subsidiaries in the Group became guarantors to Senior Secured Notes and Senior Notes issued by the subsidiaries PizzaExpress Financing 2 Limited and PizzaExpress Financing 1 Limited respectively. Further Senior Secured Notes were issued by PizzaExpress Financing 2 Limited on 2 June 2015, for which subsidiaries have also provided a guarantee. These guarantees are over substantially all of the assets held by the Group.

The amounts outstanding at the balance sheet date in relation to these notes were £477,939,000 (2015: £447,517,000) for the Senior Secured Notes and £207,251,000 (2015: £207,007,000) for the Senior Notes, including accrued interest.

On 31 July 2014 various subsidiaries also became a potential guarantor to a Revolving Credit Facility (the 'RCF') made available to PizzaExpress Financing 2 Limited, who may request that any of its subsidiaries become a guarantor to the facility. The RCF is currently not drawn down.

27 Operating lease arrangements

The Group leases restaurants, offices and warehouses under non-cancellable operating lease agreements. The lease terms are generally between 15 and 25 years, and the majority of lease agreements are renewable at the end of the lease period at market rate. At 1 January 2017, the total future value of the Group's minimum lease payments under non-cancellable operating leases expiring in the following periods were:

	1 January 2017 £000	28 June 2015 £000
Lessee		
Not later than one year	55,778	42,155
Later than one year and no later than five years	180,279	152,523
Later than five years	299,590	286,338
	535,647	481,016
Lessor		
Not later than one year	1,694	1,835
Later than one year and no later than five years	3,752	2,975
Later than five years	3,792	2,627
	9,238	7,437

28 Related party transactions

During the prior period a loan was received from Crystal Bright Developments Limited, the parent entity of PizzaExpress Group Holdings Limited, of £307,617,000. This loan accrues interest at a compound fixed rate of 10% per annum and is due for repayment at the maturity date in August 2024. Interest of £51,932,000 (2015: £26,536,000) was accrued against the loan during the period. Interest shall accrue and be aggregated with the principal balance until such time that the loan is repaid.

As at 1 January 2017 a loan of £816,000 (2015: £825,000) made to R Hodgson, a director of the Company, was outstanding. This value is disclosed within other debtors in the accounts. No interest is accrued on the loan which is repayable on demand.

During the period the Company was charged, £225,000 (2015: £130,000) by indirect parent companies in relation to monitoring fees, of which £822 (2015: £74,000) was included in accruals at period end.

Amounts paid to Key Management Personnel, aside from those members of Key Management Personnel that were also Directors during the period, totalled £505,000 (2015: £902,000) and contributions to defined benefit pension schemes in relation to these individuals were £29,000 (2015: £28,000).

29 Parent and ultimate parent undertakings

PizzaExpress Group Holdings Limited is wholly owned by Pizza Deliziosa Limited, a company registered in the Cayman Islands, and is the largest group for which financial statements are prepared. Consolidated financial statements are also prepared by PizzaExpress Financing 1 plc, a direct subsidiary of the Company and the smallest group for which consolidated financial statements are prepared.

The directors consider Crystal Bright Developments Limited, a company registered in the British Virgin Islands, to be the ultimate parent company, and private equity firm Hony Capital to be the ultimate controlling party.

30 Post balance sheet events

There are no post-balance sheet events to disclose.

Company Statement of Financial Position
As at 1 January 2017

	Note	1 January 2017 £000	28 June 2015 £000
Investments in subsidiaries	3	4,500	4,500
Fixed assets		**4,500**	**4,500**
Trade and other receivables falling due within one year	4	34	–
Trade and other receivables falling due after more than one year	4	386,085	334,153
Cash and cash equivalents		1	1
Current assets		**386,120**	**334,154**
Trade and other payables falling due within one year	5	(73)	(1)
Current liabilities		**(73)**	**(1)**
Net current assets		**386,047**	**334,153**
Borrowings	6	(386,085)	(334,153)
Non-current liabilities		**(386,085)**	**(334,153)**
Net assets		**4,462**	**4,500**
Share capital	7	–	–
Share premium	7	4,500	4,500
Accumulated losses		(38)	–
Total equity		**4,462**	**4,500**

The notes on pages 90 to 95 form part of these Financial Statements.

The financial statements on pages 88 to 95 were authorised for issue by the Board of Directors on 27 April 2017 and were signed on its behalf.

Andy Pellington
Director

Company Statement of Changes in Equity
For the period from 29 June 2015 to 1 January 2017

	Share capital £000	Share premium £000	Accumulated losses £000	Total equity £000
As at 3 July 2014	–	–	–	–
Comprehensive income				
Result for the financial period	–	–	–	–
Transactions with owners				
Proceeds from the issue of shares	–	4,500	–	4,500
As at 28 June 2015	**–**	**4,500**	**–**	**4,500**
As at 29 June 2015	**–**	**4,500**	**–**	**4,500**
Comprehensive loss				
Loss for the financial period	–	–	(38)	(38)
As at 1 January 2017	**–**	**4,500**	**(38)**	**4,462**

The notes on pages 90 to 95 form part of these Financial Statements.

Notes to the Company Financial Statements
For the period from 29 June 2015 to 1 January 2017

1 General information

PizzaExpress Group Holdings Limited is a limited company domiciled and incorporated in the United Kingdom. The Company's registered office is Hunton House, Highbridge Estate, Oxford Road, Uxbridge, Middlesex, United Kingdom, UB8 1LX.

The Company is a holding company for an international chain of pizza restaurants.

2 Summary of significant accounting policies

Basis of preparation
The financial statements have been prepared in accordance with Financial Reporting Standard 101 'reduced Disclosure Framework' and the Companies Act 2006 applicable to companies reporting under FRS 101 ('FRS 101'). The financial statements have been prepared on the historical cost basis.

The principal accounting policies are outlined below.

Disclosure exemptions adopted
In the preparation of the Company only financial statements of PizzaExpress Group Holdings Limited, the following disclosure exemptions have been adopted:

- The requirements of IFRS 7 Financial Instruments: Disclosures
- Paragraph 79(a)(iv) of IAS 1;
- Paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of Financial Statements
- The requirements of IAS 7 Statement of Cash Flows
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- The requirements of paragraph 17 of IAS 24 Related Party Disclosures
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- The requirements of paragraphs 134(d)–134(f) and 135(c)–135(e) of IAS 36 Impairment of Assets.

The above disclosures, where applicable, are included within the consolidated financial statements

2 Summary of significant accounting policies (continued)

Critical accounting estimates and areas of judgment
Management have not applied any significant estimates or judgments in the preparation of the Company financial statements.

Company statement of comprehensive income
As permitted by Section 408 Companies Act 2006, the Company has not presented its own Statement of Comprehensive Income. The Company's result for the financial period was a loss of £38,000 (2015: £Nil) and its other comprehensive income was £Nil.

Investments
The value of the investment in each subsidiary held by the Company is recorded at cost less any impairment in the Company's balance sheet.

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

Trade receivables
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for impairment. A provision for impairment is established when the carrying value of the receivable exceeds the present value of the future cash flows discounted using the original effective interest rate. The carrying value of the receivable is reduced and any impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

Borrowings
Borrowings are initially stated at the fair value of consideration received after deduction of issue costs and including any premium received on issue. The issue costs and interest payable on borrowings are charged to the profit and loss account over the term of the borrowings using the effective rate of interest, or over a shorter period where it is more likely than not that the lender will require earlier repayment or where the borrower intends or is required to redeem early. Facility fees on revolving credit facilities are included within prepayments and amortised over the term of the facility.

Trade payables
Trade payables are not interest bearing and are recognised initially at fair value and subsequently measured at amortised cost.

3 Investments in subsidiaries

	Investments in subsidiaries £000
Cost and net book value	
As at 29 June 2015 and 1 January 2017	**4,500**

Name of subsidiary	Country of incorporation	Shares held %	Principal activity
PizzaExpress Financing 1 plc*	United Kingdom	100%	Financing
PizzaExpress Financing 2 plc	United Kingdom	100%	Financing
PizzaExpress Group Limited	United Kingdom	100%	Holding Company
PizzaExpress International Holdings Limited	United Kingdom	100%	Holding Company
PizzaExpress (Franchises) Limited	United Kingdom	100%	International Franchises
PizzaExpress Operations Limited	United Kingdom	100%	Holding Company
PizzaExpress (Wholesale) Limited	United Kingdom	100%	Distribution
PizzaExpress Merchandising Limited	United Kingdom	100%	Branded Sales
PizzaExpress UAE Holdings Limited	United Kingdom	100%	Holding Company
PizzaExpress Limited	United Kingdom	100%	Holding Company
Firezza Limited	United Kingdom	100%	Restaurants
Firezza Holdings Limited	United Kingdom	100%	Holding Company
Al Rollo Limited	United Kingdom	100%	Restaurants
PizzaExpress (Jersey) Limited	Jersey	100%	Restaurants
Agenbite Limited	Eire	100%	Restaurants
Bookcash Trading Limited	United Kingdom	100%	Restaurants
Roll&Shake Limited	United Kingdom	100%	Restaurants
PizzaExpress Beijing Limited	China	100%	Restaurants
PizzaExpress (Restaurants) Limited	United Kingdom	100%	Restaurants
Jordana Restaurants LLC	UAE	49%	Restaurants
PizzaExpress (Hong Kong) Limited	Hong Kong	100%	Restaurants
PizzaExpress China Limited	Hong Kong	100%	Holding Company
PizzaExpress Shanghai Limited	China	100%	Restaurants
PizzaExpress PRD Limited	Hong Kong	100%	Holding Company
PizzaExpress (Shenzhen) Limited	China	100%	Restaurants
PizzaExpress Singapore PTE Limited	Singapore	100%	Restaurants
PandoraExpress 1 Limited	United Kingdom	100%	Dormant
PandoraExpress 2 Limited	United Kingdom	100%	Non trading
PandoraExpress 3 Limited	United Kingdom	100%	Non trading
PandoraExpress 4 Limited	United Kingdom	100%	Non trading
PandoraExpress 5 Limited	United Kingdom	100%	Non trading
PandoraExpress 6 Limited	United Kingdom	100%	Dormant
PandoraExpress 7 Limited	United Kingdom	100%	Non trading
Riposte Limited	United Kingdom	100%	Non trading
Speed 3969 Limited	United Kingdom	100%	Dormant
Wayracer Limited	United Kingdom	100%	Dormant
The Gourmet Pizza Company Limited	United Kingdom	100%	Dormant
Halfcity Limited	United Kingdom	100%	Dormant
PizzaExpress West Limited	Jersey	100%	Dormant
September 1993 Limited	United Kingdom	100%	Dormant
PizzaExpress (Soho) Limited	United Kingdom	100%	Dormant

*Direct shareholdings

NOTES TO THE COMPANY FINANCIAL STATEMENTS

4 Trade and other receivables

	1 January 2017 £000	28 June 2015 £000
Amounts falling after more than one year		
Amounts owed from group undertakings	386,085	334,153

Amounts due from Group undertakings due after more than one year are due from a subsidiary company and accrue interest at a compound fixed rate of 10% per annum. The principal and accrued interest is repayable on 18 August 2024.

	1 January 2017 £000	28 June 2015 £000
Amounts falling due within one year		
Amounts owed from group undertakings	34	–

5 Trade and other payables

	1 January 2017 £000	28 June 2015 £000
Amounts falling due within one year		
Amounts owed to group undertakings	73	1

Amounts owed by group undertakings due within one year are charged at an interest rate of 4% per annum where applicable and are repayable on demand.

6 Borrowings

	1 January 2017 £000	28 June 2015 £000
Shareholder loan	386,085	334,153

The loan from parent of £307,617,000 accrues interest at a compound fixed rate of 10% per annum and is due for repayment at the maturity date in August 2024. Interest of £51,932,000 (2015: £26,536,000) was accrued against the loan during the period. Interest shall accrue and be aggregated with the principal balance until such time that the loan is repaid.

7 Share capital and share premium

	1 January 2017		28 June 2015	
	Nº	£000	Nº	£000
Share capital				
100 (28 June 2015:100) Ordinary shares of £1 each	100	–	100	–
Share premium				
Share premium		4,500		4,500

The Company was incorporated on 3 July 2014 with the issue of 1 Ordinary £1 share for total consideration of £1. On 18 August 2015 a further 99 Ordinary £1 shares were issued for total consideration of £4,499,999.

8 Contingent liabilities

The Company did not have any contingent liabilities at 1 January 2017 or 28 June 2015.

9 Related party transactions

During the prior period a loan was received from Crystal Bright Developments Limited, the Company's parent, of £307,617,000. This accrues interest at a compound fixed rate of 10% per annum and is due for repayment at the maturity date in August 2024. Interest of £51,932,000 (2015: £26,536,000) was accrued against the loan during the period. Interest is aggregated with the principal balance until such time that the loan is repaid, at which point the interest also becomes payable.

During the period the Company was charged £225,000 (2015: £130,000) by indirect parent companies in relation to monitoring fees. £800 (2015: £74,000) remained outstanding at 1 January 2017 and is included within accruals.

During the period the Company made a loan of £307,617,000 to its direct subsidiary PizzaExpress Financing 1 plc. The loan accrues interest at a compound fixed rate of 10% per annum and is due for repayment at the maturity date in August 2024. Interest of £51,932,000 (2015: £26,536,000) was accrued against the loan during the period. Interest is aggregated with the principal balance until such time that the loan is repaid, at which point the interest also becomes payable.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

10 Parent and ultimate parent undertakings

PizzaExpress Group Holdings Limited is wholly owned by Pizza Deliziosa Limited, a company registered in the Cayman Islands.

The directors consider Crystal Bright Developments Limited, a company registered in the British Virgin Islands, to be the ultimate parent company, and private equity firm Hony Capital to be the ultimate controlling party.

11 Post balance sheet events

There are no post balance sheet events to disclose.