Registration Number: 03285834

PizzaExpress Merchandising Limited

Annual Report and
Financial Statements

For the 52-week period ended 2 January 2022

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Company Information

Directors

J Bennett
N Bowley
M Sandhu

Company Secretary

J Bennett

Registration Number

03285834

Registered office

Hunton House
Highbridge Estate
Oxford Road
Uxbridge
Middlesex
United Kingdom
UB8 1LX

Independent auditors

PricewaterhouseCoopers LLP
40 Clarendon Road
Watford
Hertfordshire
WD17 1JJ

Contents

The Directors present their Strategic Report along with the statutory accounts (the "financial statements") for PizzaExpress Merchandising Limited ("the Company") for the 52-week period ended 2 January 2022 (the "period"). The comparative period is the 53-week period ended 3 January 2021.

Business activities

The Company receives royalties from the sale of chilled and frozen PizzaExpress branded products through third parties.

Review of the business

Due to the financial statements being prepared for a 52-week period compared to a 53-week period in the prior period, it is not possible to meaningfully compare the financial information for the two periods. The following table splits the 53-week period into a comparative 52-week period.

	Revenue £000	Operating profit excluding adjusting items £000
Week ending 5 January 2020	206	193
52 weeks to 3 January 2021	10,244	9,801
53 weeks to 3 January 2021	**10,450**	**9,994**
52 weeks to 3 January 2021	10,244	9,801
52 weeks to 2 January 2022	10,035	9,517
Decline	**(209)**	**(284)**

Throughout the COVID-19 pandemic, supermarkets continued to trade and so the operations of the Company were not significantly impacted by Government restrictions. During the 52-week period ended 2 January 2022, when excluding the extra week in the comparative period, revenue decreased by 2.0% and operating profit excluding adjusting items decreased by 2.9%.

As at 2 January 2022 the Company was in a net asset position of £84,950,000 (period ended 3 January 2021: £75,267,000) and cash position of £nil (period ended 3 January 2021: £nil).

The consolidated financial statements of Wheel Topco Limited (the ultimate parent Company and the largest group in which the results of the Company are consolidated) provide detail on the Group business review and Group future plans.

Key performance indicators

The performance of the Company is measured through the use of two key performance indicators being sales growth and profitability versus annual budgets. Sales growth is shown above.

Given the challenging trading environment experienced in the market, as well as the sector-wide cost headwinds, the Directors were satisfied with performance against the budget. Further detail on Group performance is available in the Wheel Topco Limited annual report.

Principal risks and uncertainties

The Board of Directors (the "Directors") have the primary responsibility for identifying any principal risks that the Company faces and for developing appropriate policies to manage those risks.

As the Company generates its income through royalties, the key business risk relates to the underlying sales which generate this income. As such, the key risks to the Company are considered to be competition and current economic climate. This risk is mitigated by a continued focus on ensuring our partners deliver a great product to customers at excellent value for money.

This Strategic Report was approved by the Board on 26 April 2022 and signed on its behalf.

Jo Bennett
Jo Bennett (Apr 26, 2022 16:21 GMT+1)

J Bennett
Director

The Directors present their report and the audited financial statements for the Company for the 52-week period ended 2 January 2022.

Dividends
The Directors do not recommend payment of a final dividend (period ended 3 January 2021: £nil).

Future developments
The Company will continue with its strategy of growth through both existing partnerships and introducing new product ranges.

Financial risk management
The Company's activities expose it to financial risks being credit risk and liquidity risk. The Company does not have any significant exposure to foreign exchange risk.

(a) **Credit risk**
The Company is exposed to credit risk through its trade receivable balances. The Company has not historically experienced any bad debt issues and therefore this is not considered a significant risk. Intercompany receivables are not considered to be a credit risk given the forecasts for the wider Group (as discussed under the going concern heading below).

(b) **Liquidity risk**
Liquidity risk arises as a result of the Company's intercompany debtors and creditors due within one year. Given that the Company is in a net asset position, this is not considered to be a significant risk.

Going concern
Given the Company is in a net asset position of £84,950,000 at 2 January 2022 (as at 3 January 2021: £75,267,000), the Directors consider the business to continue to meet its obligations as they fall due and remain in business for the foreseeable future.

The Directors note that as at 2 January 2022, the Group was in a net asset position of £136,252,000 (as at 3 January 2021: £184,924,000) and a net current liability position of £7,757,000 (as at 3 January 2021: £4,039,000). The Directors consider the business able to continue to meet its obligations as they fall due and remain in business for the foreseeable future.

The COVID-19 pandemic continued to have a material impact on the Group's operations during 2021, with restaurants operating under a range of COVID-19 restrictions, from full closure to capacity restrictions. These closures and restrictions were removed from 29 July 2021 in England and have not returned in England despite a working from home guidance due to the emergence of a new Omicron variant. The Group further strengthened its financial position in the year with the completion of the issue of the July 2026 loan notes which carry a favourable coupon to the redeemed Senior secured notes and new money facility. Alongside the issue of the new notes, the Group secured a new £30m RCF in the period, which remained undrawn and is available until January 2026. These facilities carry no ongoing financial covenants (whilst the RCF remains undrawn).

When forming their opinion on the appropriateness of the going concern basis in preparing the accounts for the Group, the Directors have considered the Group's financing arrangements, trading patterns and trading risks. The Directors have reviewed financial projections for both a base case, which assumes base covers will return to levels consistent with pre-COVID-19 by the end of 2022, and a downside case, which shows dine-in covers are on average 10-15% below 2019 on a like-for-like ("LFL") basis. Both scenarios assume there will be no further Government assistance. The downside scenario also assumes that cost inflation relating to, in particular, flour and utilities is not fully passed on to consumers with corresponding price increases reducing margin.

The Group has sufficient liquidity, through trading and debt facilities, to finance operations for at least the next 12 months in both the base case and downside case scenarios. In the unlikely event that fresh restrictions were introduced, the Group could further mitigate its liquidity by reducing discretionary capital expenditure and other spend in the period where restrictions are assumed.

Having assessed the financial projections, sensitivities and possible mitigating actions, the Board considers that these appropriately demonstrate the ability of the Group to meet its obligations for the next twelve months.

The Company has received confirmation from its ultimate parent company, Wheel Topco Limited in respect of the ability of it and the subsidiaries of the group to provide financial support as required by the Company to enable it to meet its obligations as they fall due for a period of not less than 12 months from the date of signing these financial statements.

Post balance sheet events

During February 2022, a military conflict arose between Russia and Ukraine, which has had economic impact across Europe and the World. Ongoing inflationary pressure is widely reported to be impacting consumer confidence and spending power, with price increases in oil, natural gas and electricity all contributing. While these factors are likely to affect consumer confidence during 2022, they are not adjusting events in relation to the 2021 financial statements, and are not expected to have a material impact on the carrying values of assets and liabilities in the 2021 balance sheet.

Directors

The Directors of the Company who were in office during the period and up to the date of signing the financial statements were:

J Bennett (appointed 1 March 2021)
N Bowley (appointed 21 October 2021)
M Sandhu (appointed 21 October 2021)
A Pellington (resigned 28 February 2021)
D Campbell (resigned 13 October 2021)

Qualifying third-party indemnity provision

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.

Financial instruments

The Directors consider that the Company's key financial instruments are external trade receivables and amounts due from and due to group companies. This risk is not considered material and thus the Company does not employ the use of hedging instruments. No financial exposure exists in relation to the intercompany balances as where interest is charged on these balances it is fixed. The Directors will revisit the appropriateness of the policy should the Company's operations change in size or nature. Financial exposures also exist in relation to credit risk, the management of this risk is described above.

Environmental matters

The company will seek to minimise adverse impacts on the environment from its activities, whilst continuing to address health safety and economic issues. The Company has complied with all applicable legislation and regulations.

Statement of Directors' responsibilities in respect of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, 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 Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

Statement of Directors' responsibilities in respect of the financial statements (continued)

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

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

Directors' confirmations

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

This Directors' report was approved by the Board on 26 April 2022 and signed on its behalf of the Board

Jo Bennett
Jo Bennett (Apr 26, 2022 16:21 GMT+1)

J Bennett
Director

Independent auditors' report to the members of PizzaExpress Merchandising Limited

Report on the audit of the financial statements

Opinion

In our opinion, PizzaExpress Merchandising Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 2 January 2022 and of its profit for the 52 month period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 2 January 2022; the Statement of Comprehensive Income and the Statement of Changes in Equity for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the period ended 2 January 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Auditors' responsibilities for the audit of the financial statements (continued)

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of safety at work, food safety and environmental regulations and adherence to data protection requirements, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and the UK Tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management and the Company's legal team, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Challenging assumptions and judgements made by management in its significant accounting estimates;
- Identifying and testing journal entries, in particular certain journal entries posted with unusual account combinations such as journals crediting revenue where the debit is to an unexpected account or those posted by unexpected users; and
- Reviewing minutes of meetings of those charged with governance and reviewing correspondence with regulators.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Matthew Mullins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
27 April 2022

	Note	52-weeks ended 2 January 2022 £000	53-weeks ended 3 January 2021 £000
Revenue	3	10,035	10,450
Gross profit		**10,035**	**10,450**
Administrative expenses		(5,216)	(77,676)
Operating profit excluding adjusting items		9,517	9,994
Adjusting items	4	(4,698)	(77,220)
Operating profit/(loss)	5	**4,819**	**(67,226)**
Finance income	7	4,864	4,219
Profit/(loss) before taxation		**9,683**	**(63,007)**
Tax on profit/(loss)	9	-	-
Profit/(loss) for the financial period		**9,683**	**(63,007)**
Total comprehensive income/(loss) for the period		**9,683**	**(63,007)**

All results arise from the Company's continuing operations.

The notes on pages 12 to 19 are an integral part of these financial statements.

PizzaExpress Merchandising Limited
Statement of Financial Position
As at 2 January 2022
Registration number: 03285834

	Note	2 January 2022 £000	3 January 2021 £000
Trade and other receivables	10	101,126	89,192
Current assets		**101,126**	**89,192**
Trade and other payables	11	(16,176)	(13,925)
Current liabilities		**(16,176)**	**(13,925)**
Net current assets		**84,950**	**75,267**
Total assets less current liabilities		**84,950**	**75,267**
Net assets		**84,950**	**75,267**
Called up share capital	13	-	-
Capital restructuring reserve	14	1,772	1,772
Retained earnings		83,178	73,495
Total equity		**84,950**	**75,267**

The notes on pages 12 to 19 are an integral part of these financial statements..

The financial statements on pages 9 to 19 were approved by the Board of Directors on 26 April 2022 and were signed on its behalf by

Jo Bennett

J Bennett
Director

	Called up share capital £000	Capital restructuring reserve £000	Retained earnings £000	Total equity £000
At 30 December 2019	-	-	**136,502**	**136,502**
Loss for the financial period	-	-	(63,007)	(63,007)
Total comprehensive loss for the financial period	-	-	(63,007)	(63,007)
Other movements				
Capital restructuring reserve	-	1,772	-	1,772
At 3 January 2021	**-**	**1,772**	**73,495**	**75,267**

	Called up share capital £000	Capital restructuring reserve £000	Retained earnings £000	Total equity £000
At 4 January 2021	**-**	**1,772**	**73,495**	**75,267**
Loss for the financial period	-	-	9,683	9,683
Total comprehensive loss for the financial period	-	-	9,683	9,683
At 2 January 2022	**-**	**1,772**	**83,178**	**84,950**

The notes on pages 12 to 19 are an integral part of these financial statements.

1. General information

PizzaExpress Merchandising Limited is a private limited Company limited by shares domiciled and incorporated in the United Kingdom. The Company is registered in England and the registered office address is Hunton House, Highbridge Estate, Oxford Road, Uxbridge, Middlesex, United Kingdom, UB8 1LX.

The Company receives royalties from the sale of chilled and frozen PizzaExpress branded products through third parties.

2. Summary of significant accounting policies

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

Basis of preparation
The financial statements have been prepared on a historical costs basis and in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' ("FRS101") and the Companies Act 2006 as applicable to companies reporting under FRS 101. These financial statements are prepared on a going concern basis.

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

- the requirements of IFRS 7 Financial Instruments: Disclosures
- the requirements of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- the requirements of paragraphs 10(d),16, 38A, 38B, 38C, 38D, 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 paragraph 38 of IAS 1 in respect of IAS 16 Property, Plant and Equipment paragraph 73(e) and IAS 38 Intangibles paragraph 118(e)
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

The above disclosures can be found in the financial statements of Wheel Bidco Limited and Wheel Topco Limited, the smallest and largest groups respectively in which the financial information of the Company is consolidated.

Going concern
Given the Company is in a net asset position of £84,950,000 at 2 January 2022 (as at 3 January 2021: £75,267,000), the Directors consider the business to continue to meet its obligations as they fall due and remain in business for the foreseeable future.

The Directors note that as at 2 January 2022, the Group was in a net asset position of £136,252,000 (as at 3 January 2021: £184,924,000) and a net current liability position of £7,757,000 (as at 3 January 2021: £4,039,000). The Directors consider the business able to continue to meet its obligations as they fall due and remain in business for the foreseeable future.

The COVID-19 pandemic continued to have a material impact on the Group's operations during 2021, with restaurants operating under a range of COVID-19 restrictions, from full closure to capacity restrictions. These closures and restrictions were removed from 29 July 2021 in England and have not returned in England despite a working from home guidance due to the emergence of a new Omicron variant. The Group further strengthened its financial position in the year with the completion of the issue of the July 2026 loan notes which carry a favourable coupon to the redeemed Senior secured notes and new money facility. Alongside the issue of the new notes, the Group secured a new £30m RCF in the period, which remained undrawn and is available until January 2026. These facilities carry no ongoing financial covenants (whilst the RCF remains undrawn).

2. Summary of significant accounting policies (continued)

Going concern (continued)
When forming their opinion on the appropriateness of the going concern basis in preparing the accounts for the Group, the Directors have considered the Group's financing arrangements, trading patterns and trading risks. The Directors have reviewed financial projections for both a base case, which assumes base covers will return to levels consistent with pre-COVID-19 by the end of 2022, and a downside case, which shows dine-in covers are on average 10-15% below 2019 on a like-for-like ("LFL") basis. Both scenarios assume there will be no further Government assistance. The downside scenario also assumes that cost inflation relating to, in particular, flour and utilities is not fully passed on to consumers with corresponding price increases reducing margin.

The Group has sufficient liquidity, through trading and debt facilities, to finance operations for at least the next 12 months in both the base case and downside case scenarios. In the unlikely event that fresh restrictions were introduced, the Group could further mitigate its liquidity by reducing discretionary capital expenditure and other spend in the period where restrictions are assumed.

Having assessed the financial projections, sensitivities and possible mitigating actions, the Board considers that these appropriately demonstrate the ability of the Group to meet its obligations for the next twelve months.

The Company has received confirmation from its ultimate parent company, Wheel Topco Limited in respect of the ability of it and the subsidiaries of the group to provide financial support as required by the Company to enable it to meet its obligations as they fall due for a period of not less than 12 months from the date of signing these financial statements.

Disclosure for new accounting standards effective during the current period
There were no new standards effective from 4 January 2021.

New standards, amendments and interpretations effective during future periods
Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for the current reporting period and have not been early adopted by the Company. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods or on foreseeable future transactions.

Revenue
Revenue represents royalties from retail sales. Royalties are recognised in revenue in line with the underlying sales of the retail products. Where fees are received for distinct performance obligations, revenue is recognised once these have been fulfilled.

Finance income
Finance income is recognised in the statement of comprehensive income using the effective interest method.

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 Company'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 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.

2. Summary of significant accounting policies (continued)

Taxation (continued)
Deferred tax is calculated at the substantively enacted tax rates at the balance sheet date that are expected to apply to the year 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 Company intends to settle its current tax assets and liabilities on a net asset basis.

Foreign currency
The Company's functional and presentational currency is GBP. Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income and presented within administrative expenses.

Adjusting items
Adjusting items are items of profit and expense that, because they are material or because of the unusual nature and expected infrequency of the events giving rise to them, merit separate presentation to allow an understanding of the Company's financial performance.

Financial instruments
Financial assets and financial liabilities are recognised when the Company has become a party to the contractual provisions of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual terms expire. The Company's accounting policies in respect of financial instruments transactions are explained below:

Financial assets
Financial assets comprise trade and other receivables. The Company classifies all of its financial assets as assets at amortised cost as they are held within a business model with the objective to collect contractual cash flows and these contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion'). They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised using an expected credit loss approach. The expected credit loss is the difference between the cash flows that are due to the Company in accordance with the contract and the cash flows that the Company expects to receive discounted at the original effective interest rate. In calculating the expected credit loss rates, the Company considers historical loss rates for each category of customers and adjusts for forward-looking macroeconomic data The Company used the simplified expected credit loss model (the lifetime expected loss allowance) for receivables that do not have a significant financing component. Any short term trade receivables are assumed to not have a significant financing component.

Financial liabilities
Financial liabilities comprise intercompany borrowings and trade and other payables. The Company classifies all of its financial liabilities as liabilities at amortised cost. Financial liabilities at amortised cost are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument.

The Company does not hold or issue derivative financial instruments for trading purposes.

2. Summary of significant accounting policies (continued)

Critical accounting estimates and areas of judgement
The preparation of the financial statements in conformity with FRS 101 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 judgements 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 year 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 in more than 12 months, are described below.

Significant estimate: recoverability of intercompany receivables
Intercompany receivables are tested for impairment by taking into account the liquidity of the intercompany counterparty, as well as historical experience. An impairment is recognised if the cash flows that are expected to be received, discounted at the original effective interest rate where applicable, are lower than the cash flows that are due to the Company.

3. Revenue

All revenue was generated within the UK and Ireland from the royalties for the sale of PizzaExpress branded products through third parties.

4. Adjusting items

	52-weeks ended 2 January 2022 £000	53-weeks ended 3 January 2021 £000
Disposal of business	2	-
Impairment provision for amounts owed from group *undertakings (note 10)*	4,696	22,506
Amounts owed by group undertakings written off (note 10)	-	54,714
	4,698	77,220

The impairment of amounts owed by group undertakings relates to a difference between the expected future cash flows to be received from Group companies and the carrying value of the asset.

The write off of amounts owed by group undertakings in the prior period arose as part of the Company Voluntary Agreement (CVA) undertaken by PizzaExpress (Restaurants) Limited ("PERL").

5. Operating loss

The audit fee of £18,375 (period ended 3 January 2021: £17,500) for the Company for the period was borne by and included within the financial statements of PizzaExpress Group Limited, an intermediate parent company.

6. Staff costs

Other than Directors, the Company did not employ any individuals during the period (period ended 3 January 2021: nil).

7. Finance income

	52-weeks ended 2 January 2022	53-weeks ended 3 January 2021
	£000	£000
Interest income from group companies	4,864	4,219
	4,864	4,219

8. Directors' remuneration

No remuneration was paid by the Company to any Director during the period (period ended 3 January 2021: £nil). All Directors were remunerated by PizzaExpress Group Limited during the period.

The Company does not operate a defined benefit pension scheme and did not make any contributions to defined contribution pension schemes for Directors. No Directors had any interests in any options for shares in the Company.

9. Tax on loss

The tax assessed for the period is lower (period ended 3 January 2021: higher) than the standard rate of corporation tax in the United Kingdom of 19.0% (period ended 3 January 2021: 19.0%). The differences are reconciled below:

	52-weeks ended 2 January 2022	53-weeks ended 3 January 2021
	£000	£000
Profit/(loss) before taxation	9,683	(63,007)
Profit/(loss) multiplied by standard rate of corporation tax in the UK of 19.0% (period ended 3 January 2021: 19.0%)	1,840	(11,971)
Effects of:		
Group relief	(2,733)	(2,700)
Expenses not deductible for tax purposes	893	14,671
Total tax charge for the period	-	-

9. Tax on profit/(loss) (continued)

Factors that may affect future tax charges

The tax rate for the current year is the same as the prior year.

In the Spring Budget 2021, the UK Government announced that from 1 April 2023 the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

10. Trade and other receivables

	2 January 2022 £000	3 January 2021 £000
Trade receivables	1,076	952
Amounts owed by group undertakings	*99,260*	*87,191*
Prepayments and accrued income	790	1,049
	101,126	89,192

There is no (3 January 2021: no) provision for impairment recognised in relation to trade receivables and a £27,202,000 (3 January 2021: £22,506,000) provision for impairment held in relation to amounts owed by group undertakings.

During the Period, no amounts (3 January 2021: £54,714,000) were written off in relation to amounts owed by group undertakings as part of the Company Voluntary Agreement (CVA) undertaken in the prior period by PizzaExpress (Restaurants) Limited ("PERL").

Amounts owed by group undertakings are charged at an interest rate of 4% per annum on individual balances over £10,000,000 and are repayable on demand.

11. Trade and other payables

	2 January 2022 £000	3 January 2021 £000
Amounts owed to group undertakings	11,570	11,518
Accruals and deferred income	473	308
Taxation and social security	4,133	2,099
	16,176	13,925

Amounts owed to group undertakings are charged at an interest rate of 4% per annum on individual balances over £10,000,000 and are repayable on demand. No such balances existed in either the current or comparative period.

12. Financial instruments

	2 January 2022 £000	3 January 2021 £000
Financial assets		
Trade and other receivables	101,126	89,192
	101,126	89,192
Financial liabilities		
Trade and other payables	12,043	11,826
	12,043	11,826

13. Called up share capital

	2 January 2022		3 January 2021	
	No.	£000	No.	£000
Called up share capital				
2 (period ended 3 January 2021: 2) Ordinary shares of £1 each	2	-	2	-

14. Capital restructuring reserve

The capital restructuring reserve represents loan waivers received from the previous intermediate parent company, recorded within equity as capital contribution.

15. Contingent liabilities

As at 2 January 2022, the Company is a guarantor to July 2026 Notes issued by its intermediate parent company Wheel Bidco Limited. This guarantee is over all of the assets held by the Company.

The amounts outstanding at the balance sheet date in relation to these Notes were £339,458,000 (3 January 2021: £nil), including accrued interest.

Each of the following balances have been settled in full as at 2 January 2022.

As at 3 January 2021, the Company was a guarantor to New Senior Secured Notes ('New SSNs') issued by its intermediate parent company Wheel Bidco Limited. This guarantee was over substantially all of the assets held by the Company.

The amounts outstanding at the balance sheet date in relation to these Notes were £nil (3 January 2021: £203,086,000) for the New SSNs, including accrued interest.

As at 3 January 2021, the Company was also a guarantor to a Super Senior Term Facility (the 'SSTF') of £70,000,000, drawn down by PizzaExpress Financing 2 Limited. The amount outstanding at the balance sheet date was £nil (3 January 2021: £70,000,000).

As at 3 January 2021, the Company was also a guarantor to New Money Facility Tranche A ('NMF') issued by its intermediate parent company Wheel Bidco Limited. This guarantee was over substantially all of the assets held by the Company. The amounts outstanding at the balance sheet date in relation to this Facility were £nil (3 January 2021: £50,038,000) for the NMF, including accrued interest.

16. Related party transactions

The Company has taken advantage of the exemption available under FRS 101, Section 8, not to disclose transactions with wholly owned subsidiaries of Wheel Topco Limited.

There were no other related party transactions to disclose.

17. Controlling parties

As at 2 January, the immediate parent of PizzaExpress Merchandising Limited is PizzaExpress Limited, a company which is an indirect subsidiary of Wheel Topco Limited, a limited company under the laws of Jersey and the largest group for which consolidated financial statements are prepared. The financial statements of Wheel Topco Limited are available from the Company Secretary, 47 Esplanade St Helier, Jersey JE1 0BD.

The ultimate beneficial parent of PizzaExpress Merchandising Limited is Wheel Topco Limited.

18. Post balance sheet events

During February 2022, a military conflict arose between Russia and Ukraine, which has had economic impact across Europe and the World. Ongoing inflationary pressure is widely reported to be impacting consumer confidence and spending power, with price increases in oil, natural gas and electricity all contributing. While these factors are likely to affect consumer confidence during 2022, they are not adjusting events in relation to the 2021 financial statements, and are not expected to have a material impact on the carrying values of assets and liabilities in the 2021 balance sheet.