Prezzo Limited

Financial Statements

52 Weeks Ended

28 December 2014

Prezzo Limited

Financial statements for the 52 weeks ended 28 December 2014

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directors
Kuldip S Sehmi
(Executive Director)
Mehdi Gashi
(Executive Director)
Alan J Millar ACA
(Finance Director)

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company number
3919682

auditors
BDO LLP
55 Baker Street
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Prezzo Limited

strategic report for the 52 weeks ended 28 December 2014

The Directors present their Strategic Report for the 52 weeks ended 28 December 2014 (2013 – 52 weeks ended 29 December 2013).

Introduction

Our principal objective in growing our business is to maximise value for our shareholders by developing an enlarged estate of restaurants across the UK which will generate stable, predictable and growing profits and cashflows. We seek to achieve this by maintaining a steady and manageable rate of new openings, while still focusing strongly on the day to day performance of our existing operations and brands.

The Directors believe that our emphasis on providing a wide choice of quality dishes at affordable prices and in attractive and comfortable surroundings means that the business is well-positioned to achieve further growth. Our strong internal cash generation means that going forward we will be able to fund expansion at a rate of 25-30 new restaurants each year without recourse to external financing and we anticipate this rate of openings again in the year ahead.

In addition to the quality of the food and drink we serve, we recognise that one of the most important aspects of our business is the interface between staff and our guests and we therefore take steps to ensure that guest service levels are high. To this end, we are committed to providing ongoing training and development to all levels of staff in the Prezzo Training Academy. In addition, we continue to monitor their performance via a programme of regular mystery diner visits and customer feedback. The quantum of regular quarterly bonuses paid to branch, area and operations managers is determined by a number of qualitative criteria, in addition to financial performance at unit level.

Business review

We have continued to increase the representation of both our established brands across the UK during 2014 via a continued programme of organic openings and at 28 December 2014 there were 259 restaurants (2013 - 237) in the estate.

For the 52 weeks ended 28 December 2014, revenue increased 14% to £189.9m (2013 - £166.5m) and adjusted* profit before tax increased by 11% to £22.7m (2013 - £20.4m).

Gross (or restaurant) profit increased by 11% to £25.7m (2013 - £23.2m) and gross profit margin was 13.6% (2013 - 13.9%). Central admin overheads were up 8% to £3.0m (2013 - £2.8m) reflecting a higher headcount required to manage the enlarged estate. As a result, adjusted* operating profit was 11% higher at £22.7m (2013 - £20.4m) and adjusted operating margin (before non-trading items) was 12.0% (2013 - 12.2%).

New restaurant openings were funded wholly from internal cash generation. After interest and tax there was £30.3m (2013 - £26.9m) available for investing and financing. After total capital investment of £24.1m (2013 - £26.1m), there was a cash inflow of £8.9m (2013 - £1.5m) and net cash on the balance sheet stood at £14.8m (2013 - £5.8m).

Principal risks and uncertainties

UK macro-economy
Growth in consumer spending has picked up recently, as the rate of household inflation has abated and employment levels have remained high. Finally, after a long period of erosion, the prospect of real-term growth in earnings looks to be in sight. Nevertheless, we are mindful that the recovery remains fragile and at some point interest rates will need to be increased to more normal levels and this could impact the confidence of consumers with higher borrowings and on customer footfall. Despite this, there is evidence that eating-out regularly is becoming increasingly ingrained in the spending patterns of our guests. Our brands are positioned in the affordable segment of the casual dining market and we have a strong focus on our value proposition. Increasing interaction with a loyal customer base enables us to implement innovative marketing initiatives and provide targeted offers which can help to drive business in periods when footfall is lower.

Food cost inflation
One of the Company's key variable inputs is the cost of ingredients, food and drinks and recent experience has shown that strains in the wider global food market can have a noticeable effect on commodity prices and therefore the prices seen by our suppliers in markets closer to home in Europe. Over the last 12 months food cost inflation has remained relatively benign but it is possible that the business will face higher input costs in the medium term. The Director and team responsible for supply chain management maintain a close dialogue with key suppliers and longer-term fixed price contracts are entered into where possible to mitigate short-term price fluctuations.

Legislation driven cost increases

In the past five to ten years many of the cost increases faced by businesses in the hospitality sector have been driven by new legislation. Many of these incremental costs have been in the area of employment costs, such as the introduction of the UK national minimum wage and since July 2013 the cost of providing pension contributions for the majority of our team. There have also been increased costs arising from an increasing burden of complying with more stringent health and safety standards and environmental costs and this trend is likely to continue. Given that the Company will always make every effort to be compliant with all areas of UK legislation and industry best practice, such cost pressures are largely beyond our control and will also be faced by our major competitors. The Company works with a number of external consultants in specialist areas such as health and safety and waste disposal to ensure that business processes are optimised and best value is delivered while achieving compliance with best practice.

Competition in the restaurant property market

The principal driver of growth in the business has been the consistent delivery of a substantial programme of new restaurant openings. While the more uncertain environment of recent years has actually favoured cash-rich businesses such as Prezzo, competition for high quality sites has begun to increase again. The Board of Prezzo has many years of experience and expertise in this area of the business. The growing profile of the Prezzo brand, the increasing strength of our covenant and the close relationships we have forged with a range of external property advisors and landlords, nevertheless leave the Company well-positioned even in a more competitive marketplace.

On behalf of the Board

Alan Millar
Finance Director

14 May 2015

* excluding the impact of a £4.8 million (2013 - £1.9 million) charge for non-trading items (see note 8)

Prezzo Limited

report of the directors for the 52 weeks ended 28 December 2014

The Directors present their report together with the audited financial statements for the 52 weeks ended 28 December 2014 (2013 – 52 weeks ended 29 December 2013).

Principal activities

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

Results and dividends

The Statement of comprehensive income shows the profit for the financial period.

No dividends are proposed in respect of 2014 (2013 – 0.310p per 5p ordinary share).

Post balance sheet events

On 2 February 2015, Prezzo Holdings Limited, an entity controlled by TPG Capital LLP acquired the entire issued and to be issued capital of the Company. An application was made to suspend the shares from trading on the Alternative Investment Market and subsequently, the Company converted from a public limited company to a private limited company.

Directors and their interests

The directors of the Company during the period and their interests in the ordinary share capital of the Company were -

	Ordinary shares of 5p each 28 December 2014	Ordinary shares of 5p each 29 December 2013
K S Sehmi	682,244	682,244
M Gashi	55,000	55,000
A J Millar	100,000	100,000
M J Carlton (resigned 2 February 2015)	945,000	945,000
J S Kaye (resigned 2 February 2015)	19,784,000	19,784,000
A Kaye (resigned 2 February 2015)	5,382,796	6,762,107
S Kaye (resigned 2 February 2015)	5,498,297	6,877,608
J D Lederer (resigned 2 February 2015)	209,000	209,000

Details of directors' interests in share options during the period are disclosed in note 6 to the financial statements.

All remaining options were exercised prior to the acquisition of the Company on 2 February.

Financial Instruments

The Company does not trade in derivative-based financial instruments and during the period the Company was exposed to interest rate risk only in so far as changes in base rates affect the amount of interest it earned on its financial assets. Further information on financial instruments and the risks facing the business is contained in note 25 to the financial statements.

On 24 February 2015, the Company entered into a cross guarantee for a bank facility held by Prezzo Holdings Limited and for a total of £155m of which £130m is currently drawn down.

Employees

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

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

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

Auditors

The Directors who were in office at the date of approval of these financial statements have taken all the steps that they ought to have taken to make themselves aware of any information required by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the Annual General Meeting.

By order of the Board

Alan Millar
Company Secretary

14 May 2015

statement of directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the Directors are required to -

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 requirements of the Companies Act 2006. They 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.

Website publication

If the Financial statements are published on a Corporate website then the maintenance and integrity of any such website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

independent auditors' report to the members of Prezzo Limited

We have audited the financial statements of Prezzo Limited for the period ended 28 December 2014 which comprise the statement of comprehensive income, the statement of changes in equity, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of Directors and Auditors

As explained more fully in the Statement of directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements -

- give a true and fair view of the state of the Company's affairs as at 28 December 2014 and its profit for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Report of the Directors for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- 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 financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

BDO LLP

Geraint Jones (senior statutory auditor)

For and on behalf of BDO LLP (statutory auditor)

London
United Kingdom
14 May 2015

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

statement of comprehensive income for the 52 weeks ended 28 December 2014

	Note	2014	2013
		£'000	£'000
Revenue	3	**189,890**	166,541
Cost of sales	4	**(164,154)**	(143,380)
Gross profit		**25,736**	23,161
Administration costs		**(7,799)**	(4,708)
Operating profit excluding non-trading items		**22,705**	20,373
Non-trading items	8	**(4,768)**	(1,920)
Operating profit	7	**17,937**	18,453
Finance income		**26**	11
Finance expense	9	**(4)**	(15)
Profit before tax		**17,959**	18,449
Income tax expense	10	**(5,025)**	(4,029)
Profit and total comprehensive income for the financial period attributable to equity shareholders		12,934	14,420

statement of changes in equity for the 52 weeks ended 28 December 2014

	Share Capital	Share Premium Account	Capital Redemption Reserve	Share Option Reserve	Retained Earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 30 December 2012	11,458	21,679	168	1,702	56,696	91,703
Total comprehensive income for the period	-	-	-	-	14,420	14,420
Dividend paid	-	-	-	-	(639)	(639)
Share-based payments - credit to equity for the period	-	-	-	95	-	95
Tax on share-based payments taken directly to equity	-	-	-	131	275	406
Transfer in respect of options exercised	-	-	-	(432)	432	-
Issue of new ordinary shares	195	1,041	-	-	-	1,236
Balance at 29 December 2013	11,653	22,720	168	1,496	71,184	107,221
Total comprehensive income for the period	-	-	-	-	12,934	12,934
Dividend paid	-	-	-	-	(728)	(728)
Share-based payments - credit to equity for the period	-	-	-	307	-	307
Tax on share-based payments taken directly to equity	-	-	-	(363)	-	(363)
Transfer in respect of options exercised	-	-	-	(262)	262	-
Issue of new ordinary shares	91	679	-	-	-	770
Balance at 28 December 2014	**11,744**	**23,399**	**168**	**1,178**	**83,652**	**120,141**

balance sheet as at 28 December 2014

Company number - 3919682	Note	28 December 2014	29 December 2013
		£'000	£'000
Non-current assets			
Intangibles	12	**1,419**	1,419
Property, plant and equipment	13	**133,828**	129,882
Prepaid operating leases	15	**3,898**	4,277
Deferred tax asset	18	**461**	779
		139,606	136,357
Current assets			
Inventories	14	**5,860**	5,272
Prepaid operating leases	15	**4,048**	3,933
Trade and other receivables	16	**6,333**	6,567
Cash and cash equivalents		**14,790**	5,843
		31,031	21,615
Total assets		**170,637**	157,972
Current liabilities			
Trade and other payables	17	**(33,182)**	(35,738)
Current tax liabilities	17	**(4,203)**	(4,127)
		(37,385)	(39,865)
Non-current liabilities			
Accruals	17	**(7,492)**	(5,542)
Deferred tax liabilities	18	**(5,619)**	(5,344)
		(13,111)	(10,886)
Total liabilities		**(50,496)**	(50,751)
Net assets		**120,141**	107,221
Equity			
Called-up share capital	19	**11,744**	11,653
Share premium reserve		**23,399**	22,720
Capital redemption reserve		**168**	168
Share option reserve		**1,178**	1,496
Retained earnings		**83,652**	71,184
Total equity attributable to equity shareholders		**120,141**	107,221

The financial statements were approved by the Board of Directors and authorised for issue on 14 May 2015 and signed on their behalf by A J Millar.

cash flow statement for the 52 weeks ended 28 December 2014

	Note	2014	2013
		£'000	£'000
Cash flows from operating activities			
Net cash inflow from operating activities	24	**35,062**	30,814
Income tax paid		**(4,719)**	(3,886)
Net cash inflow from operating activities		**30,343**	26,928
Cash flows from investing activities			
Finance income		**26**	11
Payments to acquire property, plant and equipment		**(24,102)**	(26,137)
Proceeds from sale of property, plant and equipment		**2,642**	92
Net cash outflow from investing activities		**(21,434)**	(26,034)
Cash flows from financing activities			
Finance expense		**(4)**	(15)
Issue of new ordinary shares		**770**	1,236
Equity dividend paid		**(728)**	(639)
Net cash inflow/(outflow) from financing activities		**38**	582
Net increase in cash and cash equivalents		**8,947**	1,476
Cash and cash equivalents as at 29 December 2013		**5,843**	4,367
Cash and cash equivalents as at 28 December 2014		**14,790**	5,843

1 Accounting policies

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and their interpretations adopted by the International Accounting Standards Board ("IASB") and as endorsed for use by the European Union.

(b) Basis of preparation

The financial statements are presented in sterling and rounded to the nearest thousand pounds. They are prepared on the historical cost basis, except for the treatment of certain financial instruments.

(c) Changes in accounting policies

The following standards and interpretations relevant to the Company, issued by the IASB or the International Financial Reporting Interpretations Committee (IFRIC), are effective for the first time in the current financial period and have been adopted by the Company with no significant impact on its results or financial position.

IAS 32 Financial Instruments: Presentation (Amendments Offsetting)
IAS 36 Impairment Of Assets (Amendments - Recoverable Amount Disclosures)
IAS 39 Financial Instruments: Recognition and Measurement (Novation of Derivatives).

The following standards and interpretations relevant to the Company issued by the IASB or IFRIC, have not been adopted by the Company as they were not effective for the current period. The Company is currently assessing the impact that these standards and interpretations will have on the presentation of its results in future periods.

IFRS 2 Share-based Payment (Annual Improvements to IFRSs 2010 - 2012 Cycle)
IFRS 3 Business combinations (Annual Improvements to IFRSs 2010 - 2012 Cycle)
IFRS 3 Business combinations (Annual Improvements to IFRSs 2011 - 2013 Cycle)
IFRS 7 Financial Instruments (Annual Improvements to IFRSs 2010 - 2012 Cycle) - not yet endorsed for use within the EU.
IFRS 8 Operating segments (Annual Improvements to IFRSs 2010 - 2012 Cycle)
IFRS 9 Financial Instruments (2009), (2010), (2013) and (2014)

IFRS 15 Revenue (not yet endorsed for use within the EU)
IAS 1 Presentation of Financial Statements (Amendments - Disclosure Initiative) (not yet endorsed for use within the EU)

IAS 16 Property, Plant and Equipment (Annual Improvements to IFRSs 2010 - 2012 Cycle)
IAS 16 Property, Plant and Equipment (Amendments - Acceptable Methods Of Depreciation (not yet endorsed for use within the EU)
IAS 24 Related Party Disclosures (Annual Improvements to IFRSs 2010 - 2012 Cycle)
IAS 38 Intangible Assets (Annual Improvements to IFRSs 2010 - 2012 Cycle)
IAS 38 Intangible Assets (Amendments - Acceptable Methods of Amortisation (not yet endorsed for use within the EU)

(d) Revenue

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

(e) Operating leases

Assets leased under operating leases are not recorded on the balance sheet. Rental payments are charged directly to the Statement of comprehensive income. Lease incentives, primarily rent-free periods, are capitalised and then systematically released to the Statement of comprehensive income over the period of the lease term. Payments made to acquire operating leases are treated as prepaid lease expenses and are amortised over the period of the lease.

Payments made under operating leases are recognised in the Statement of comprehensive income on a straight line basis.

(f) Pre-opening costs

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

(g) Share-based payments

The Company operates a number of equity-settled share-based payment schemes under which share options are granted to certain employees. The costs of equity-settled transactions are measured at fair value at the date of grant. Fair value is measured using the Black-Scholes model. In determining fair value, no account is taken of any vesting conditions, other than conditions linked to the price of the Company's shares (market-based conditions).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional only upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided all other conditions are satisfied.

The fair value determined at the grant date is then expensed on a straight line over the vesting period, based on the Directors' best estimate of the number of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions. The movement in the cumulative expense since the previous balance sheet date is recognised in the Statement of comprehensive income, with the corresponding movement taken into equity.

Where the terms and conditions of options are modified before they vest or where options have been cancelled and reissued with modified terms, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the Statement of comprehensive income over the remaining vesting period.

(h) Operating profit

Operating profit is stated after all expenses, including any profit or loss on disposal of property, plant and equipment, which is considered to be a non-trading item, but before finance income or expenses. Non-trading items are items of income or expense which because of their nature and the events giving rise to them, are not directly related to the delivery of the company's restaurant service to its patrons and therefore merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess more accurately trends in financial performance.

(i) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the management team including the Chief Executive Officer, Executive directors and the Finance Director.

(j) Taxation

The tax expense included in the Statement of comprehensive income comprises both current and deferred tax. Current tax is the expected tax payable on the taxable income arising in the period reported on, calculated using tax rates enacted or substantively enacted as at the balance sheet date.

Tax is recognised in the Statement of comprehensive income except to the extent that IAS12 requires certain elements of the total tax expense to be recorded directly in equity. These elements are separately disclosed in the movement in shareholders' equity and the movement in reserves.

Deferred tax is provided using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities recorded for reporting purposes and the amounts used for tax purposes, except for differences arising on the initial recognition of an asset or liability which affects neither accounting or taxable profit at the time of the transaction. Deferred tax is calculated on an undiscounted basis, at the tax rates that are expected to apply when the liability is settled or the asset is realised. Deferred tax is charged or credited to the Statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case deferred tax is also dealt with in equity.

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

(k) Dividends

In accordance with IAS10, Events after the balance sheet date, dividends declared after the balance sheet date are recognised in the period in which they are approved by shareholders, as no liability existed at the balance sheet date.

(l) Business combinations

The financial statements incorporate the results of business combinations using the acquistion method. In the balance sheet the identifiable assets and liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

(m) Goodwill

All business combinations, as defined by IFRS3 (Revised), are accounted for using the acquisition method. Goodwill represents the difference between the fair value of consideration paid and the fair value of the net identifiable assets acquired.

Goodwill is stated at the value so calculated less any accumulated provision for impairment. Goodwill is allocated to individual cash generating units and is then subject to an impairment review.

(n) Trade marks

Trade marks which have been acquired are stated at their estimated fair value on acquisition less any accumulated amortisation. Trade marks are amortised over an expected useful life of twenty years, however, this carrying value is also subject to an annual impairment review. All expenditure on internally created trade marks is written-off as incurred.

(o) Property, Plant and Equipment

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

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

Freehold land	Nil depreciation
Freehold properties	2% per annum
Freehold improvements	4% per annum
Leasehold improvements	over the period of the lease
Fixtures, fittings and equipment	10% per annum
Computer equipment (included in Fixtures, fittings and equipment)	33.3% per annum

Restaurants under construction are not depreciated.

All property, plant and equipment is reviewed for impairment in accordance with IAS36 Impairment of Assets, when there are indications that the carrying value may not be recoverable.

(p) Impairment - non-financial assets

The carrying values of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such condition exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. An impairment loss is recognised whenever the carrying value of an asset exceeds its recoverable amount and impairment losses are recognised in the Statement of comprehensive income.

(q) Inventories

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

(r) Financial instruments

The carrying amounts of cash and cash equivalents, trade receivables, other accounts receivable, trade payables and other accounts payable approximate to their fair value. The Company does not hold or issue derivative financial instruments.

Financial assets - Loans and receivables

Trade and other receivables
The trade receivables arising in the business are not amounts owed to the company from retail customers, but consist of annual retrospective rebates which are received from trade suppliers shortly after the end of the period in which they are earned and accrued and amounts due from Tesco Freetime Limited arising from its clubcard voucher scheme. Trade receivables are initially recognised at fair value and subsequently carried at amortised cost, reduced by any appropriate allowances for irrecoverable amounts. Trade receivables are provided against where there is objective evidence that amounts are not recoverable. Other receivables are initially recognised at fair value and then subsequently carried at amortised cost.

(r) Financial instruments *(continued)*

Cash and cash equivalents

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

Financial liabilities - Other liabilities

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

(s) Equity

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

2 Critical accounting estimates and judgements

The preparation of financial statements under IFRS requires the Company to make estimates and judgements that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and assumptions. The estimates and assumptions that are considered to have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed in more detail below.

(a) Accruals

In order to provide for all valid liabilities which exist at the balance sheet date, the finance team is required to estimate and accrue for certain costs or expenses which have not been invoiced and therefore the amount of which cannot be known with certainty. Such accruals are based on management's best judgement and past experience. Delayed billing in some significant expense categories such as utility costs can lead to sizeable levels of accruals. The total value of accruals as at the balance sheet date is set out in note 17.

(b) Useful lives of property, plant and equipment

Property, plant and equipment are depreciated over their estimated useful lives. Useful lives are based on the management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to these estimates - the current rates of depreciation are set out in the accounting policy in note 1(o) - can result in significant variations in the carrying value and amounts charged to the Statement of comprehensive income as depreciation in a particular period.

(c) Asset impairment

In carrying out an impairment review in accordance with IAS36 it has been necessary to make estimates and judgements regarding the future performance and cash flows generated by individual trading units which cannot be known with certainty. Past performance will often be taken as the best available guide to future performance, unless it is known that the circumstances surrounding a particular trading unit have changed. Where the circumstances surrounding a particular trading unit have changed or will change in the future then it can be even more difficult to forecast future performance. For these reasons the actual impairment required in the future may differ from the charge made in the financial statements. Details of any impairment charge required in the financial statements are provided in note 8.

(d) Share-based payment

The Company operates equity-settled shared-based remuneration schemes for employees. Employee services received and the corresponding increase in equity are measured by reference to the fair value of the equity instruments at the date of grant, excluding the impact of any non-market vesting conditions. The fair value of share options is estimated by using the Black Scholes valuation model on the date of grant based on certain assumptions. Those assumptions are discussed in note 26 and include among others the dividend growth rate, expected volatility, expected life of the options and the number of options expected to vest.

(e) Deferred taxation

In calculating the deferred tax asset in relation to share options which will be exercised in the future, the share price as at the balance sheet date is required to be used as the best available estimate of the value of options at the point that they are exercised. As the share price may be at a different level when share options are finally exercised, this could lead to a different deferred tax asset being crystallised. The Directors are of the opinion that the Company will generate sufficient taxable profits in the future to utilise this deferred tax asset.

The deferred tax liability provided in the accounts is based on temporary differences between the tax written down values of assets and liabilities and their carrying values in the accounts and as such it is dependent on assumptions made in the Company's corporation tax computations. The assumptions on the proportion of certain elements of capital expenditure which will be eligible for tax relief are subjective and the final calculations agreed with HMRC could differ from the provision made in the financial statements.

3 Revenue and operating segments

Turnover is wholly attributable to the principal activity of the company and arises solely within the United Kingdom.

Each restaurant within the business is an operating segment, and their results are reported under IFRS separately to the chief operating decision-maker to make decisions and allocate resources. These are aggregated together for reporting purposes because they share similar economic characteristics including a similar customer base and the nature of the products and services.

As a result, the Company has only one reportable segment, being "Restaurants", the results of which are included within the primary statements. The chief operating decision-maker refers to an "adjusted" measure of performance which is a measure of profit after deducting certain non-trading items, which are detailed in note 8. Details of the depreciation charges during the year are included in note 7.

4 Cost of sales

Cost of sales can be further analysed as follows -	**2014 £'000**	2013 £'000
Excluding pre-opening costs	**163,312**	142,395
Pre-opening costs	**842**	985
	164,154	143,380

5 Employees

Staff costs (including directors) consist of -	**2014 £'000**	2013 £'000
Wages and salaries	**54,788**	49,258
Social security costs	**3,976**	3,882
Pension costs	**259**	62
Equity-settled share-based payment schemes (see note 26)	**307**	95
	59,330	53,297

Of this total cost, £57,163,000 (2013 - £51,306,000) was included within cost of sales and the remaining £2,167,000 (2013 - £1,991,000) was included in administration expenses. The average number of employees, including directors, during the period was 3,638 (2013 - 3,285) with 62 (2013 - 55) of these working within the administrative functions and the remainder working in the restaurants.

6 Directors

	2014	2013
	£'000	£'000
Wages and salaries	**603**	572
Social security costs	**73**	71
Pension costs	**2**	1
Equity-settled share-based payment schemes (see note 26)	**156**	30
Total emoluments paid to Directors	**834**	674

The total amount payable to the highest paid director consisted of £179,167 in respect of emoluments and £357,000 in respect of a gain on the exercise of options. In 2013, the highest paid Director received £150,000 and had option gains of £1,258,000.

Options granted to directors and not exercised at 28 December 2014 were as follows -

	Date of grant	Number of shares	Exercise per share	Exercisable
J S Kaye	20 December 2013	750,000	125.5p	December 2016 - December 2023
K S Sehmi	24 May 2006	100,000	52.5p	May 2009 - May 2016
K S Sehmi	28 December 2012	50,000	67.75p	December 2015 - December 2022
K S Sehmi	20 December 2013	100,000	125.5p	December 2016 - December 2023
M Gashi	4 May 2005	83,692	52.5p	May 2009 - May 2016
M Gashi	22 September 2005	25,000	50.0p	September 2008 - September 2015
M Gashi	24 May 2006	20,000	52.5p	May 2009 - May 2016
M Gashi	24 November 2008	35,955	26.0p	November 2011 - November 2018
M Gashi	10 June 2010	100,000	38.8p	June 2013 - June 2020
M Gashi	11 November 2011	50,000	57.0p	November 2014 - November 2021
M Gashi	28 December 2012	100,000	67.75p	December 2015 - December 2022
M Gashi	20 December 2013	250,000	125.5p	December 2016 - December 2023
A J Millar	24 November 2008	200,000	26.0p	November 2011 - November 2018
A J Millar	10 June 2010	250,000	38.8p	June 2013 - June 2020
A J Millar	11 November 2011	50,000	57.0p	November 2014 - November 2021
A J Millar	28 December 2012	100,000	67.75p	December 2015 - December 2022
A J Millar	20 December 2013	150,000	125.5p	December 2016 - December 2023

The options are exercisable between three and ten years following the date of the grant. The middle market price of the Company's shares at 28 December 2014 was 128p and had traded between 120p and 162p over the 52 weeks ended 28 December 2014.

No options (2013 - 1,250,000) over ordinary shares were granted to Directors during the period and the aggregate IFRS2 charge in respect of options granted to Directors was £155,582 (2013 - £30,485). Further details on the share option schemes and how the company accounts for the cost of share options granted under IFRS2 are provided in note 26.

671,308 (2013 - 2,124,045) options were exercised by Directors during the period and the total gain on exercise of options by directors was £725,536 (2013 - £1,343,309).

notes forming part of the financial statements for the 52 weeks ended 28 December 2014 *(Continued)*

7 Operating profit

This has been arrived at after charging -	2014 £'000	2013 £'000
Staff costs (see note 5)	**59,330**	53,297
Depreciation	**10,076**	8,556
Loss on disposal of property, plant and equipment and inventory	**209**	1,380
Impairment of property, plant and equipment	**4,550**	1,221
Impairment of intangibles	**-**	89
Auditors' remuneration - audit services	**95**	85
- tax compliance	**30**	30
Operating lease rentals	**19,333**	15,464

Of the total of £209,000 (2013 - £1,380,000) loss on disposal of property, plant and equipment and inventory, a £655,000 loss (2013 - £839,000) is included within cost of sales and a profit on disposal of £446,000 (2013 - £541,000) is included within non-trading items (see note 8).

8 Non-trading items - charged to administrative expenses

	2014 £'000	2013 £'000
(Profit)/loss on sale of property, plant and equipment and inventory	**(446)**	541
Write-off of rent premium	**193**	145
Payments made in respect of termination of lease	**-**	-
Provision/(release) for onerous lease	**300**	(97)
Provision for impairment of fixed assets	**4,550**	1,221
Provision for impairment of intangibles	**-**	89
Expenses in connection with offer for the Company	**157**	-
Site abort costs	**14**	21
	4,768	1,920

During the period, the net sales proceeds arising from the sale of interests in freehold and leasehold properties was £2,642,000 (2013 - £92,000) and resulting in a profit on disposal of £558,000 (2013 - £44,000 loss). Then taken together with the write-off of £76,000 (2013 - £446,000) rebranding costs and the write-off of £36,000 (2013 - £51,000) crockery stocks, the overall profit on disposal from these transactions was £446,000 (2013 - £541,000).

A £300,000 provision has been made in respect of onerous leases (2013 - £97,000 overprovision was released)

In accordance with IAS36 Impairment of Assets, the Company has carried out a review of the carrying values of plant, property and equipment, taking into account the current trading performance and anticipated future cashflows discounted at a pre-tax rate of 10% in order to assess whether there is any indication of impairment. Assets are carried at their recoverable amount which is the higher of fair value less costs to sell or their economic use in the business. When a trading unit where recent performance and anticipated cashflows would suggest that it may have no economic value in use to the business has been identified, it has been valued at fair value less costs to sell based on the Directors' experience of the commercial property market and their view of its likely value on disposal.

As a result of the above process, a provision for impairment of £4,550,000 (2013 - £1,921,000) has been made against the book value of ten (2013 - five) properties. (In 2013, there was also a reversal of historic impairment of £700,000 resulting in a net impairment charge of £1,221,000).

No purchased goodwill (2013- £89,000) has been written-off in the period.

Adjusted profit before tax for headline reporting purposes was calculated as follows -

	2014 £'000	2013 £'000
Profit before taxation	**17,959**	18,449
Non-trading items (see above)	**4,768**	1,920
Adjusted profit before taxation	**22,727**	20,369

9 Finance expense

	2014 £'000	2013 £'000
Bank interest paid	4	15
	4	15

10 Income tax expense

	2014 £'000	2013 £'000
UK Corporation tax		
Current tax on profit for the period	4,795	4,400
Total current tax	4,795	4,400
Deferred tax		
Credit in respect of change in future rate of taxation	-	(724)
Origination and reversal of temporary differences	275	425
Temporary differences on rolled over gains on property disposals	-	29
Share-based payment temporary difference	(45)	(101)
Total deferred tax	230	(371)
Total expense in the statement of comprehensive income	5,025	4,029

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below -

	2014 £'000	2013 £'000
Profit before tax	17,959	18,449
Tax on profit at the average rate of corporation tax in the UK of 21.5% (2013 – 23.25%)	3,861	4,289
Tax effects of -		
Credit in respect of change in future rate of taxation	-	(724)
Depreciation on ineligible fixed assets	764	639
Non-qualifying impairment charges	557	135
(Profit)/Loss on sale of non-qualifying assets	(162)	(18)
Release of onerous lease provision	-	(11)
Other	5	(281)
Tax expense for the period as shown above	5,025	4,029

The taxation charge in future periods will be influenced by any changes in the rate of taxation, the occurrence, if any, and quantum of future non-trading items, any gains arising on any disposal of freehold properties and the influence of the future share price on the deferred tax asset in respect of share options.

11 Dividends

	2014 £'000	2013 £'000
Amounts recognised as distributions to equity shareholders in the period	**728**	639

The dividend payment recognised during 2014 was the final dividend declared in respect of the 52 weeks ended 29 December 2013 of 0.275p (2012 - 0.275p)

	2014 £'000	2013 £'000
Proposed final dividend	**-**	720

No final dividend is proposed for the period ended 28 December 2014 (2013 - 0.310p per share).

12 Intangibles

	Goodwill £'000
At 31 December 2012	1,508
Impairment of goodwill	(89)
At 29 December 2013	1,419
Impairment of goodwill	-
At 28 December 2014	**1,419**

The recoverable amount of the goodwill has been determined on a value in use basis. This has been based on the performance of the sites since reopening under the Prezzo brand and management's forecasts, which assume that these sites will perform at least as well as the market generally. The forecasts take into account management's experience and are discounted at a pre-tax rate of 10%.

notes forming part of the financial statements for the 52 weeks ended 28 December 2014 *(Continued)*

13 Property, plant and equipment

	Freehold land, properties and improvements £'000	Short leasehold improvements £'000	Fixtures fittings and equipment £'000	Restaurants under construction £'000	Total £'000
Cost					
At 31 December 2012	35,924	81,169	34,325	600	152,018
Additions	1,250	17,645	8,698	530	28,123
Reclassification	412	9	(15)	(406)	-
Disposals	(3)	(1,157)	(2,429)	-	(3,589)
At 29 December 2013	37,583	97,666	40,579	724	176,552
Additions	176	14,353	6,730	495	21,754
Reclassification	(840)	588	675	(423)	-
Disposals	(1,410)	(1,547)	(2,079)	(11)	(5,047)
At 28 December 2014	**35,509**	**111,060**	**45,905**	**785**	**193,259**
Depreciation					
At 31 December 2012	3,772	20,888	14,401	-	39,061
Provided for the period	1,056	3,925	3,575	-	8,556
Impairment provisions	102	917	202	-	1,221
Disposals	-	(811)	(1,357)	-	(2,168)
At 29 December 2013	4,930	24,919	16,821	-	46,670
Provided for the period	795	4,841	4,440	-	10,076
Reclassification	(166)	32	134		-
Impairment provisions	-	4,550	-	-	4,550
Disposals	(84)	(724)	(1,057)	-	(1,865)
At 28 December 2014	**5,475**	**33,618**	**20,338**	-	**59,431**
Net book value					
At 28 December 2014	**30,034**	**77,442**	**25,567**	**785**	**133,828**
At 29 December 2013	32,653	72,747	23,758	724	129,882
At 30 December 2012	32,152	60,281	19,924	600	112,957

For details of impairment provisions please see note 8.

14 Inventories

	2014 £'000	2013 £'000
Raw materials and consumables	2,680	2,321
Crockery and utensils	3,180	2,951
	5,860	5,272

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

The Company recognised stock purchases of £46,540,000 in the Statement of comprehensive income in the 52 weeks ended 28 December 2014 (2013 - £40,143,000). The amount of inventories written-off in the period and included in non-trading items was £36,000 (2013 - £51,000).

15 Prepaid operating leases

	2014 £'000	2013 £'000
Held within current assets	4,048	3,933
Held within non-current assets	3,898	4,277
	7,946	8,210

Prepaid operating leases has two components. Included in amounts held within one year is the sum of £3.6m (2013 - £3.5m) which represents quarterly instalments on operating leases paid in advance. In addition, there is a further £4.3m (2013- £4.7m) which is made up of lease premiums, which IFRS requires to be treated as rent paid in advance and amortised over the length of the lease, normally over 20 or 25 years. As a result, £0.4m (2013 - £0.4m) is classified within current assets, with the remaining balance included in non-current assets.

16 Trade and other receivables

	2014 £'000	2013 £'000
Trade and other receivables	4,834	4,013
Prepayments and accrued income	1,499	2,554
	6,333	6,567

All amounts shown fall due for payment within one year.

17 Trade and other payables

	2014 £'000	2013 £'000
Trade payables	16,049	19,049
Taxation and social security	5,640	5,035
Corporation tax	4,203	4,127
Other payables	3,201	2,611
Accruals	8,292	9,043
All held within current liabilities	37,385	39,865
Held within non-current liabilities		
Accruals	7,492	5,542

18 Deferred tax

Deferred tax asset arising from share options	**2014 £'000**	2013 £'000
At 30 December 2013	**779**	547
Credit to the Statement of comprehensive income (see note 10)	**45**	101
Movement taken direct to equity	**(363)**	131
At 28 December 2014	**461**	779

Deferred tax liability	**2014 £'000**	2013 £'000
At 30 December 2013	**5,344**	5,614
Charge to the Statement of comprehensive income	**275**	(270)
At 28 December 2014	**5,619**	5,344

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

	2014 £'000	2013 £'000
Accelerated capital allowances	**4,577**	4,302
Other short term temporary differences	**660**	660
Capital gains rolled over	**382**	382
	5,619	5,344

19 Share capital

	Authorised			
	2014 Number	2013 Number	**2014 £'000**	2013 £'000
Ordinary shares of 5p each	**300,000,000**	300,000,000	**15,000**	15,000

	Allotted, called up and fully paid			
	2014 Number	2013 Number	**2014 £'000**	2013 £'000
Ordinary shares of 5p each	**234,884,582**	233,068,659	**11,744**	11,653

Movements in share capital	**Number**	**£'000**
At 30 December 2012	229,153,941	11,458
Ordinary shares issued	3,914,718	195
At 29 December 2013	233,068,659	11,653
Ordinary shares issued	1,815,923	91
At 28 December 2014	**234,884,582**	**11,744**

20 Reserves

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

Share premium reserve - the accumulated amount subscribed for share capital in excess of nominal value.

Capital redemption reserve - includes amounts transferred from the share capital reserve in order to maintain shareholders capital following the buyback and cancellation of equity shares.

Share option reserve - reflects the credit to equity made in respect of the charge for share options together with the related deferred tax movements.

Retained earnings - the cumulative gains and losses recognised in the Statement of comprehensive income together with other items which are required to be taken direct to equity.

21 Related party transactions

The Directors are considered to be the key management personnel. Details of directors' remuneration is given in note 6. Other related party transactions which took place with during the period are as follows -

Trading transactions

	Property rentals paid to related parties		**Amounts owed to related parties**	
	2014	2013	**2014**	2013
	£'000	£'000	**£'000**	£'000
Key management personnel	**574**	559	-	-
Significant shareholders	**662**	743	-	-

The above transactions arise where significant shareholders and key management personnel own properties which are rented to the Company.

P Kaye, a significant shareholder, has beneficial & non-beneficial interests in 107,994,308 shares (2013 – 107,994,308), representing 46.0% (2013 – 46.3%) of the issued share capital of the company.

Capital transactions

On 27 August 2010, the Company agreed to act as legal guarantor and as a party to an agreement in which Tasty PLC, a related party company, purchased two leasehold units from Caffe Uno Brasseries Limited. The total potential outstanding liability under this guarantee (based on annual rents totaling £122,000) at the end of the period was £932,000 (2013 - £1,053,000).

On 14 December 2011, the Company agreed to act as legal guarantor and as a party to an agreement in which Tasty PLC, a related party company, purchased one leasehold units from Caffe Uno Brasseries Limited. The total potential outstanding liability under this guarantee (based on an annual rent of £82,250) at the end of the period was £540,000 (2013 - £622,000).

22 Future commitments under operating leases

The total future rental payments outstanding under non-cancellable operating leases as at 28 December 2014 are set out below -

	Property Leases 2014 £'000	Property Leases 2013 £'000
Within one year	**18,078**	16,175
Within two to five years	**75,210**	65,970
Over five years	**227,316**	212,155
	320,604	294,300

Leases for land and buildings are subject to rent reviews.

23 Capital commitments

	2014 £'000	2013 £'000
Authorised and contracted	**1,453**	453

As at the balance sheet date, the Company had capital commitments in respect of contracts for the fit out works at three (2013 - one) additional new leasehold sites with a total value as shown above.

24 Reconciliation of profit before tax to net cash inflow from operating activities

	2014 £'000	2013 £'000
Profit before taxation	**17,959**	18,449
Finance income	**(26)**	(11)
Finance expense	**4**	15
Depreciation	**10,076**	8,556
Share-based payment charge	**307**	95
Loss on disposal of property, plant and equipment and inventory	**209**	1,380
Charge/(release) of provision onerous lease	**300**	(97)
Write-off of rent premium	**193**	145
Impairment of property, plant and equipment	**4,550**	1,221
Impairment of intangibles	**-**	89
Increase in inventories	**(624)**	(764)
Decrease/(increase) in receivables	**672**	(1,265)
Increase in payables	**1,442**	3,001
Net cash inflow from operating activities	**35,062**	30,814

25 Financial risks

The Company is exposed to certain risks arising from its use of financial instruments. The Company does not make any use of derivative-based financial instruments, however, IFRS7 requires that it provides the following disclosure on its financial assets and liabilities as set out below.

The Company's financial assets and liabilities are shown on the face of the balance sheet and in the table below and they can be classified wholly as either loans and receivables or other liabilities. The Company has operated with a net cash balance throughout the period and consequently has no bank debt or other loan obligations.

	2014 £'000	2013 £'000
Financial assets		
Trade and other receivables	**4,834**	4,013
Cash and cash equivalents	**14,790**	5,843
Financial liabilities		
Trade and other payables	**29,866**	30,822

In accordance with IAS39, all financial assets are classified as loans and receivables and all financial liabilities are held at amortised cost. In the Directors' opinion, there is no material difference between the book value and the fair value of any of the financial instruments.

The Company has some exposure to credit risk, interest rate risk and liquidity risk. The Company does not have any material exposure to currency risk. There has been no material change to the financial instruments used within the business during the period and therefore no material changes to the risk management policies put in place by the Board which are now discussed below.

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

Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets held at the balance sheet date. The Company's maximum exposure to credit risk by type of financial asset equals the carrying value of financial assets shown in 2014 and 2013.

	2014 £'000	2013 £'000
Trade and other receivables are due -		
Current	**4,810**	3,989
Within 30-60 days	-	-
Within 61-90 days	-	-
91 days and over	**24**	24
	4,834	4,013

There are no amounts within receivables that are past due (2013 - Nil)

25 Financial risks (continued)

All receivables are non-derivative financial assets with fixed or determined payments that are not quoted in an active market. In practice, the company has limited exposure to credit risk as the receivables in the balance sheet are predominantly receivable from well established trade suppliers or landlords. These relationships are monitored closely and given the ongoing nature of trading with such counterparties, the likelihood of default is considered to be limited. As a result, no provision for doubtful debts has been made in the financial statements.

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

Interest rate risk

Interest rate risk is the risk that the value of financial assets will fluctuate due to changes in market interest rates. The Company's income and operating cash flows and the value of its financial assets are largely independent of changes in market interest rates. Low levels of surplus funds are invested in short-term secured deposit accounts such that the Company is not unduly exposed to market interest rate fluctuations.

Interest income received on such deposits in the period amounted to £26,000 (2013 - £11,000) and represented 0.11% (2013 - 0.05%) of adjusted profit before taxation (see note 8). A 1% movement in market interest rates would have had significantly less than 1% impact on profits in either the current or comparative periods.

Liquidity risk

Liquidity risk arises from the Company's management of working capital, including cash and cash equivalents and fixed term deposits. The Board's policy is to manage its working capital flows such that it will always have sufficient cash to allow it to meet its liabilities as and when they become due.

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

At the balance sheet date, the Company had committed bank borrowing facilities of £6,000,000 (2013 - £6,000,000) available to it. None of the facility was drawn down at the balance sheet date. The Company's treasury management policy is discussed in the Report of the Directors.

	2014 **£'000**	2013 £'000
Trade and other payables are due for settlement -		
Current	**28,411**	29,756
Within 30-60 days	-	-
Within 61-90 days	-	-
91 days and over	-	-
	28,411	29,756

Capital

The Company considers its capital to comprise its ordinary share capital, share premium, capital redemption reserve, the share option reserve and accumulated retained earnings.

The primary objective of the Company is to maximise the return for equity shareholders through a combination of capital growth and equity distributions. In order to achieve its objectives in this area, the Company seeks to maintain a capital structure appropriate to its size, strategy for growth and underlying business risks.

26 Share-based payments

The charge for share-based remuneration recorded in the financial statements comprises -

	2014 £'000	2013 £'000
Equity-settled schemes	**307**	95

The Company believes that share ownership by executive directors and key staff strengthens the link between their personal interests and those of the shareholders. It therefore operates both approved and unapproved share option schemes, under which options are granted in order to assist in the incentivisation and recruitment of key staff. IFRS2 (Share-based payment) requires that the fair value of such equity-settled transactions is calculated and systematically charged to the Statement of comprehensive income over the vesting period. Details of outstanding share options and the calculation of this charge are set out below.

Options under all of the schemes are granted at the average of the middle market price of the shares during the three dealing days prior to the grant. Awards will vest after three years of additional service have been completed, providing that certain performance targets are met over this 3 year period from the date of grant. Options may then be exercised over the remaining seven years of the contractual life of the option.

At 28 December 2014 outstanding executive share options for directors and employees to subscribe to ordinary shares of 5p each were -

	Exercise price (pence)	Date granted	Number of shares	Exercisable between
approved	56.3	4 May 2005	318,776	May 2008 - May 2015
	26.0	24 November 2008	280,385	November 2011 - November 2018
	38.8	10 June 2010	105,000	June 2013 - June 2020
	57.0	10 November 2011	219,000	November 2014 - November 2021
	67.8	28 December 2012	233,000	December 2015 - December 2022
	125.5	20 December 2013	146,211	December 2016 - December 2023
unapproved	56.3	4 May 2005	265,916	May 2008 - May 2015
	50.0	22 September 2005	95,000	September 2008 - September 2015
	52.5	24 May 2006	150,000	May 2009 - May 2016
	26.0	24 November 2008	380,570	November 2011 - November 2018
	38.8	10 June 2010	442,000	June 2013 - June 2020
	57.0	10 November 2011	165,000	November 2014 - November 2021
	67.8	28 December 2012	380,000	December 2015 - December 2022
	125.5	20 December 2013	1,918,289	December 2016 - December 2023

	2014 **Number**	**2014** **Weighted average exercise price** **Pence**	2013 Number	2013 Weighted average exercise Pence
Outstanding at the beginning of the period	**7,310,070**	**71.1p**	9,025,288	35.2p
Option grants during the period	**-**	**-**	2,268,500	125.5p
Exercised during the period	**(1,815,923)**	**42.4p**	(3,914,718)	31.6p
Forfeited during the period	**(375,000)**	**96.2p**	(69,000)	58.3p
Lapsed during the period	**(20,000)**	**23.1p**	-	-
Outstanding at the end of the period	**5,099,147**	**79.7p**	7,310,070	71.1p

26 Share-based payments (continued)

The exercise price of options outstanding at the end of the period ranged between 23.125p and 125.5p (2013 - 23.125p and 125.5p) and their weighted average contractual life was 6.3 years (2013 - 6.1 years). Of the total number of options outstanding, 2,421,647 (2013 - 3,873,570) had vested and were exercisable at the end of the period. The weighted average exercise price of these options was 44.7p (2013 - 41.6p).

No new options (2013 - 2,268,000) were granted during the period. The weighted average fair value of each option granted in 2013 was 37.1p. 1,815,923 options were exercised during the period (2013 - 3,914,718) and the weighted average value of options exercised was 42.4p (2013 - 31.6p).

The following information is relevant in the determination of the fair value of options granted during the period under the equity-settled share based remuneration schemes operated by the Company.

	2014	2013
Equity settled		
Option pricing model used	n/a	Black Scholes
Weighted average share price at grant date (pence)	n/a	125.5p
Exercise price (pence)	n/a	125.5p
Weighted average contractual life (days)	n/a	3,650
Expected volatility (percentage)	n/a	40%
Expected dividend growth rate (percentage)	n/a	0.9%
Risk-free interest rate (percentage)	n/a	4.0%

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices over the last three years.

27 Post balance sheet events

On 2 February 2015, Prezzo Holdings Limited, an entity controlled by TPG Capital LLP acquired the entire issued and to be issued capital of the Company. An application was made to suspend the shares from trading on the Alternative Investment Market and subsequently, the Company converted from a public limited company to a private limited company.

On 24 February 2015, the Company entered into a cross guarantee for a bank facility for a total of £155m of which £130m is currently drawn down.

On 30 March 2015, the Company entered into agreements to sell and leaseback 19 properties, 18 of which were freehold properties and 1 of which was a long leasehold property. The total sales proceeds were £29.8m and 25 year leases were signed on each site, resulting in an annual rental commitment of £1.9m (subject to 5 year rent reviews).