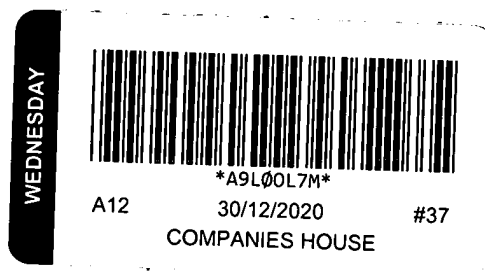


Registration Number: 10932580

Hunton House Limited

Directors' Report and
Financial Statements

For the 52-week period ended 29 December 2019



Company Information

Directors

A Pellington
D Campbell

Company Secretary

A Pellington

Registration Number

10932580

Registered office

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

Independent auditors

PricewaterhouseCoopers LLP
40 Clarendon Road
Watford
Hertfordshire
WD17 1JJ

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The Directors present their Directors' Report and audited financial statements (the "financial statements") for Hunton House Limited ("the Company") for the period ended 29 December 2019 (the "period"). The comparative period is the 52-week period ended 30 December 2018.

During the previous period the Company sold its only leasehold interest (on 2 July 2018) and therefore was not trading as at 30 December 2018 or as at 29 December 2019.

Results and dividends

The Company did not trade during the entire financial period. In the prior period ended 30 December 2018 the Company made a loss of £1,193,000.

The Directors do not recommend the payment of a dividend (period ended 30 December 2018: £nil).

Future developments

The Directors expect the Company to remain inactive for the foreseeable future.

Financial risk management

The Company's activities expose it to financial risks being primarily liquidity risk. Given that the Company has received confirmation of support from its intermediate parent Company PizzaExpress Group Holdings Limited, this is not considered to be a significant risk.

The Directors note that the UK formally left the European Union on 31 January 2020, but the future trading relationship, including customs and border arrangements remains unclear at the time of this report. Throughout 2019 a Brexit Steering Group analysed the potential impact of a number of different scenarios for the UK's ultimate exit from existing trading arrangements. Specifically, the Group prepared appropriate plans to mitigate the impact of leaving without an agreement – and these plans remain relevant in the event that the UK has not successfully negotiated a new trading arrangement with the EU ahead of the end of the official transition period on 31 December 2020. Brexit may have an impact on this entity by virtue of the potential impact on the wider Group.

Although the COVID-19 outbreak did not affect the results of the Group for the 52-week period ended 29 December 2019, the business of the wider Group, including the results of operations and financial condition will be materially adversely affected by COVID-19 in 2020. The long-term outlook relating to COVID-19 is currently unknown and impossible to predict at this stage. The longer that stringent measures remain on restaurant business, the higher the risk to the future of our business.

Going concern

As at 29 December 2019, the Company was in a net liability position of £1,244,000. The Directors note that as at 29 December 2019, the wider Group that the Company is a part of is in a net liabilities and a net current liabilities position.

As of the date of approving these financial statements, COVID-19 has had a significant impact on the Group. All of the Group's UK & Ireland restaurants were closed during the national lockdown from March to May 2020 in Ireland and to June 2020 in England. The Group's restaurants in England were also closed during the lockdown in November 2020. The Group's restaurants continue to operate under restrictions as part of the various regional lockdowns around England, Ireland and other parts of the UK. In addition, throughout the year, the International restaurants have also operated under restrictions due to COVID-19 – ranging from full closure to capacity restrictions.

During this period of business interruption due to COVID-19, the Group undertook a number of measures to preserve liquidity and protect the business. The Group utilised Government support schemes such as the Coronavirus Jobs Retention Scheme (CJRS) and subsequent related schemes, business rates relief and VAT deferrals. In addition, rent payments were suspended and capital expenditure was delayed – most significantly, the roll out of the 'Future Express' programme. The Group remains committed to the roll-out and to comprehensively re-energising our key estate and will look to recommence this programme when conditions improve.

In August 2020, the Group announced the commencement of a significant financial and operational restructuring process. The process involved a recapitalisation and restructuring transaction to deleverage the Group's capital structure and extend debt maturities, the provision of new liquidity, the implementation of a landlord Company Voluntary Agreement ('CVA') and the divestment of the Group's Mainland China business. Refer to the Post-Balance Sheet Event note for further details.

Going concern (continued)

This process completed on 5 November 2020, and the changes form part of the base case scenario of the cash flow forecasting. The base case has been prepared for the 18 month period from November 2020 to April 2022 and includes data and forecasts for the period from November 2020 to December 2020, assumes that dine-in sales remain low, around the actual levels experienced after the Government's 'Eat Out to Help Out' scheme ended in August 2020, with further reductions for some restaurants to account for the regional lockdowns being experienced. Delivery sales are assumed to remain stable and then increase slightly over 2021. The base case included the impact of the closure of all restaurants in England during the recent lockdown in November – as well as an additional four-week national lockdown in the forecast period in February, assuming all restaurants would be closed in the UK & Ireland. The forecast assumes a slight improvement in dine-in sales from Q2 2021. Throughout 2021, sales are assumed to be lowered by 40% with a slow recovery assumed in 2022.

The Directors have reviewed cash flow forecasts for the following 16 months from the date of approval of these financial statements and consider that these appropriately demonstrate the ability of the Group to meet its obligations for the next 12 months.

It is very challenging to assess how the current situation with respect to COVID-19 will continue to evolve. The Directors believe that the base case, mentioned above, is reasonable. However, the situation may change, and the UK & Ireland restaurants may be required to operate under additional restrictions, further reducing dine-in capacity, or may be required to fully close for a longer period than assumed in the Base Case.

As a result, the Directors have prepared a 'severe but plausible' scenario that assumes further sales reductions of 15% - 20%, in 2021 and 2022 when compared to the base case to stress test the Group's liquidity position. Additional funding requirements for the International business units, to support their operations in these difficult times, has also been included.

The Group would be required to take additional action to protect the Group's liquidity position. Under this scenario, the Group would reduce capital expenditure plans, draw down on the £20m new funding facility in place post- transaction and elect to take the option under the agreements to capitalise interest (or 'pay in kind') rather than pay in cash by making the relevant elections with respect to the approximately £249m of the new debt that will be in place post-restructuring.

The Group has undertaken scenario cash flow modelling, as noted above, and believes that the Group should still be in a cash positive position and able to meet its obligations going forward. However, as a result of the impact of, and continuing restrictions resulting from, the ongoing COVID-19 pandemic, along with the effects of potential additional lockdowns, the Group's operations, results and liquidity may be further impacted. This condition indicates a material uncertainty that may cast significant doubt on the Group's and therefore the Company's ability to continue as a going concern. Given the additional actions available, the Directors consider it is appropriate to prepare these financial statements on a going concern basis. The Company financial statements are not required to and therefore do not include the adjustments that would result if they were unable to continue as a going concern.

Post balance sheet events

In January 2020, the Group announced that an additional £10m super senior loan was provided by an affiliate of Hony Capital (the 'Hony Loan').

In April 2020, the Group obtained a new £70m Super Senior Term Facility (the 'SSTF'). This SSTF was used to repay the Group's £20m Revolving Credit Facility and the Hony Loan. It also provided incremental liquidity to the Group. The SSTF is due to mature in April 2023.

Due to the coronavirus pandemic ("COVID-19"), the Group's entire UK and Ireland restaurant portfolio was closed for operations between 23 March 2020 and 9 July 2020 and the Group has experienced a significant decline in the revenue of its business, with zero to very low revenue from the Group's UK and Ireland restaurants between March and July 2020. As the COVID-19 restrictions have eased since 4 July 2020, the Group began a phased reopening of the UK&I estate, with reduced capacity and additional measures to ensure customer and staff safety, which included 71 restaurants opening their doors for dine-in customers in the week commencing 27 July 2020, and the extension of 35 locations to also offer dine-out options.

Following the ending of the lockdown in England on 2 December, all restaurants in Tier 2 and below have reopening. Those in Tier 3 in England, are operating under additional restrictions and are not open for dine-in, although may be open for delivery and click-and-collect. Restaurants in Wales, Scotland, Northern Ireland and the Republic of Ireland are also operating under different restrictions. Both the reopening of sites and the ongoing operation of reopened sites will continue to be subject to present and future COVID-19 government restrictions.

The Group's operations in Jersey, Hong Kong, Mainland China, Singapore and the United Arab Emirates have been similarly impacted by closures and/or more stringent conditions on operating as a result of COVID-19.

In April 2020, the Group commenced negotiations with an ad hoc group of the holders of the £465m Senior Secured Notes due 2021 (the "Existing SSNs") representing, at the time in excess of 75% of the Existing SSNs. On 4 August, the Group announced the negotiations had resulted in the Group, Hony Capital as existing majority owner and significant holder of the Group's £200m Senior Unsecured Notes due 2022 ("SUNs") and the ad hoc group of Existing SSNs reaching an agreement as to the terms of a financial and operational restructuring of the Group (the "Transaction").

Post balance sheet events (continued)

The Transaction was fully completed on 5 November 2020. The financial restructuring comprised the following key steps:

1. The share capital of PizzaExpress Financing 2 plc was transferred from PizzaExpress Financing 1 plc to a new company, Wheel Bidco Limited ("Bidco SPV"). Bidco SPV is a wholly-owned subsidiary of another new company ("Holdco SPV"). Intercompany receivables owing by the Plan Company to the Plan Member were released. Holdco SPV, Bidco SPV, PizzaExpress Financing 2 plc and their subsidiaries will together form the "Restructured Group".
2. The Existing SSNs were discharged and converted into a series of new senior secured notes (the "New SSNs") issued by Bidco SPV with a reduced principal amount of £200 million.

Interest is payable in cash on the New SSNs at a rate of 8% per annum or will be capitalised at a rate of 9.5% per annum (at the election of Bidco SPV for the first 24 months) and will mature in November 2025.
3. The New SSN holders will receive 63% of the equity in the Restructured Group (in the form of shares in Holdco SPV).
4. Certain New SSN holders agreed to lend new money to the Restructured Group on a pro rata basis by participating in a £144 million new money facility (the "New Money Facility") to be borrowed by Bidco SPV.

The New Money Facility and New SSNs are guaranteed and secured by members of the Restructured Group on substantially the same terms as the guarantees and security that were in place for the Existing SSNs and SUNs.

In the event of enforcement, the New Money Facility will rank senior to the New SSNs but junior to the SSTF. Interest is payable in cash on the New Money Facility at a rate of 7.5% per annum or will be capitalised at a rate of 9% per annum (at the election of Bidco SPV for the first 24 months) and will mature in May 2025.

35% of the shares in Holdco SPV will be allocated to the lenders under the New Money Facility on a pro rata basis.
5. The SUNs were discharged in full in exchange for 1% of the equity in the Restructured Group (in the form of shares in Holdco SPV).
6. The shareholders of the Group received 1% of the equity in the Restructured Group (in the form of shares in Holdco SPV) in consideration of their support for the Transaction.
7. The SSTF remained in place following the Transaction in accordance in line with its existing terms and, unless refinanced using the proceeds of the New Money Facility, will mature in April 2023.

The Transaction facilitated the implementation of a landlord Company Voluntary Arrangement (CVA) which was formally launched by PizzaExpress (Restaurants) Limited ("PERL") on 18 August 2020 and approved by the requisite majority of unsecured creditors of PERL On 4 September 2020. As an immediate result of the CVA, the Group exited the leases of 73 trading sites and reduced the rental cost base on the majority of the estate. Break rights were inserted into the lease agreements that were compromised as part of the CVA giving landlords the opportunity to terminate the lease during the period up to and including 3 December 2020. As at the date of this report, 23 additional sites have been returned to landlords, with discussions ongoing on a number of sites. As a result of the reduction in the number of restaurants the Group has had to reduce the size of its restaurant teams and restaurant support. During 2020, approximately 2,400 roles have been affected across the UK business in both restaurants and restaurants support, through a combination of voluntary and compulsory redundancies.

The Transaction further included the sale of the Mainland China operations to Snacks Group Limited, an entity affiliated with Hony Capital. The sale completed on 16 October 2020. The Mainland China restaurants formed part of the Group's International segment.

As at the date of this report, it is not possible to make an estimation of the full financial effect of the above transactions, although they are expected to be material.

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 Wang	(resigned 5 November 2020)
A Pellington	
D Campbell	(appointed 13 November 2020)

Qualifying third-party indemnity provisions

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 amounts due from and due to group companies. Fixed interest is charged on these balances. The Company manages this risk by monitoring the credit risk and credit worthiness of Group companies. 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 and liquidity risk. The management of these risks is described above.

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 52-week 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.

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

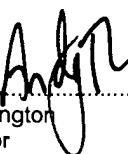
Independent auditors

The independent auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Small companies exemption

In preparing this report, the Directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This Directors' report was approved by the Board on 23 December 2020 and signed on its behalf by


.....
A Pellington
Director

Report on the audit of the financial statements

Opinion

In our opinion, Hunton House Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 29 December 2019 and of its result for the 52-week period (the "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 Directors' Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 29 December 2019; the Statement of Comprehensive Income, the Statement of Changes in Equity for the 52-week 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.

Material uncertainty related to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the company's ability to continue as a going concern.

The Coronavirus pandemic ("COVID-19") has had a significant impact on the Group with restaurants in the UK and Ireland ("UK&I") being closed, from March to May 2020 in Ireland and from March to June 2020, and also during November 2020 in the UK. Outside of the national lockdown measures, the Group continues to be heavily impacted in the UK&I by regional lockdowns and other social distancing measures due to COVID-19. In addition, restaurants in the international markets have also been heavily impacted. Due to the nature of the group structure, the company is inherently impacted by the risks related to the Group as a whole, and as a result we consider factors that pose a risk to the Group as a whole to also represent a risk for the company.

To date the Group has made use of the measures available to it to mitigate the cash flow constraints and protect the business. This has included enrolment into the UK and Irish job retention schemes ("JRS"), VAT payment holidays in the UK and non-payment of rents during the periods of closure in Q1 and Q2 2020. In addition to these, the Group has completed a Company Voluntary Arrangement ("CVA") process during 2020. As part of the rent renegotiations the Group has the ability to reduce its rent payments in the event of mandatory closure of restaurants in the UK.

COVID-19 continues to significantly impact the casual dining industry, with ongoing regional restrictions and the risk of further nationwide lockdowns. Whilst management has considered the impact of further restrictions within its severe but plausible cash flow forecast, the industry remains uncertain as to how much longer these restrictions may extend, the severity and frequency of the restrictions or lockdowns imposed and the speed and extent of any recovery. In addition to this, there is currently no confirmation of the JRS being available after April 2021, which is a significant mitigation for the Group in the event of mandatory restaurant closures.

These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group and therefore the company's ability to continue as a going concern. The financial statements are not required to and therefore do not include the adjustments that would result if the company was unable to continue as a going concern.

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 Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

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

Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the period ended 29 December 2019 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 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 the Directors' responsibilities in respect of the financial statements set out on page 4, 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.

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

Use of this report

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

Other Required Reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the Directors were not entitled to take advantage of the small companies exemption in preparing the strategic report. We have no exceptions to report arising from this responsibility.



.....
Sarah Quinn (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
23 December 2020

Hunton House Limited
Statement of Comprehensive Income
For the 52-week period ended 29 December 2019

		52-weeks ended 29 December 2019	52-weeks ended 30 December 2018
	Note	£000 Discontinued Operations	£000 Discontinued Operations
Revenue	3	-	395
Cost of sales		-	(452)
Gross loss		-	(57)
Administrative expenses		-	(1,171)
Operating loss	4	-	(1,228)
Loss before taxation		-	(1,228)
Tax credit on loss	7	-	35
Loss for the financial period		-	(1,193)
Total comprehensive loss for the period		-	(1,193)

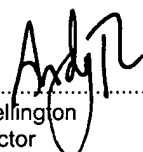
All results arise from the Company's discontinued operations.

The notes on pages 12 to 21 are an integral part of these financial statements.

		29 December 2019 £000	30 December 2018 £000
	Note		
Trade and other receivables	8	688	688
Current assets		688	688
Trade and other payables	9	(1,932)	(1,932)
Current liabilities		(1,932)	(1,932)
Net current liabilities		(1,244)	(1,244)
Net liabilities		(1,244)	(1,244)
Called up share capital	11	-	-
Accumulated losses		(1,244)	(1,244)
Total equity		(1,244)	(1,244)

The notes on pages 12 to 21 are an integral part of these financial statements.

The financial statements on pages 9 to 21 were approved by the Board of Directors on 23 December 2020 and were signed on its behalf by


.....
A Pelington
Director

Hunton House Limited
Statement of Changes in Equity
For the 52-week period ended 29 December 2019

	Called up share capital £000	Accumulated losses £000	Total equity £000
At 1 January 2018	-	(51)	(51)
Loss for the financial period	-	(1,193)	(1,193)
Total comprehensive loss for the financial period	-	(1,193)	(1,193)
At 30 December 2018	-	(1,244)	(1,244)
At 31 December 2018	-	(1,244)	(1,244)
Loss for the financial period	-	-	-
Total comprehensive loss for the financial period	-	-	-
At 29 December 2019	-	(1,244)	(1,244)

The notes on pages 12 to 21 are an integral part of these financial statements.

1. General information

Hunton House 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 Industrial Estate, Oxford Road, Uxbridge, Middlesex, United Kingdom, UB8 1LX.

The Company operated a restaurant in London, United Kingdom which closed during the previous financial period. The Directors expect the Company to remain inactive for the foreseeable future.

2. Summary of significant accounting policies

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' ("FRS 101") and the Companies Act 2006 applicable to companies reporting under FRS 101.

The principal accounting policies are outlined below.

Going concern

As of the date of approving these financial statements, COVID-19 has had a significant impact on the Group. All of the Group's UK & Ireland restaurants were closed during the national lockdown from March to May 2020 in Ireland and to June 2020 in England. The Group's restaurants in England were also closed during the lockdown in November 2020. The Group's restaurants continue to operate under restrictions as part of the various regional lockdowns around England, Ireland and other parts of the UK. In addition, throughout the year, the International restaurants have also operated under restrictions due to COVID-19 – ranging from full closure to capacity restrictions.

During this period of business interruption due to COVID-19, the Group undertook a number of measures to preserve liquidity and protect the business. The Group utilised Government support schemes such as the Coronavirus Jobs Retention Scheme (CJRS) and subsequent related schemes, business rates relief and VAT deferrals. In addition, rent payments were suspended and capital expenditure was delayed – most significantly, the roll out of the 'Future Express' programme. The Group remains committed to the roll-out and to comprehensively re-energising our key estate and will look to recommence this programme when conditions improve.

In August 2020, the Group announced the commencement of a significant financial and operational restructuring process. The process involved a recapitalisation and restructuring transaction to deleverage the Group's capital structure and extend debt maturities, the provision of new liquidity, the implementation of a landlord Company Voluntary Agreement ('CVA') and the divestment of the Group's Mainland China business. Refer to the Post-Balance Sheet Event note for further details.

This process completed on 5 November 2020, and the changes form part of the base case scenario of the cash flow forecasting. The base case has been prepared for the 18 month period from November 2020 to April 2022 and includes data and forecasts for the period from November 2020 to December 2020, assumes that dine-in sales remain low, around the actual levels experienced after the Government's 'Eat Out to Help Out' scheme ended in August 2020, with further reductions for some restaurants to account for the regional lockdowns being experienced. Delivery sales are assumed to remain stable and then increase slightly over 2021. The base case included the impact of the closure of all restaurants in England during the recent lockdown in November – as well as an additional four-week national lockdown in the forecast period in February, assuming all restaurants would be closed in the UK & Ireland. The forecast assumes a slight improvement in dine-in sales from Q2 2021. Throughout 2021, sales are assumed to be lowered by 40% with a slow recovery assumed in 2022.

The Directors have reviewed cash flow forecasts for the following 16 months from the date of approval of these financial statements and consider that these appropriately demonstrate the ability of the Group to meet its obligations for the next 12 months.

It is very challenging to assess how the current situation with respect to COVID-19 will continue to evolve. The Directors believe that the base case, mentioned above, is reasonable. However, the situation may change, and the UK & Ireland restaurants may be required to operate under additional restrictions, further reducing dine-in capacity, or may be required to fully close for a longer period than assumed in the Base Case.

As a result, the Directors have prepared a 'severe but plausible' scenario that assumes further sales reductions of 15% - 20%, in 2021 and 2022 when compared to the base case to assess the impact on the Group's liquidity position. Additional funding requirements for the International business units, to support their operations in this worsened scenario, has also been included.

2. Summary of significant accounting policies (continued)

Going concern (continued)

The Group would be required to take additional action to protect the Group's liquidity position. Under this scenario, the Group would reduce capital expenditure plans, draw down on the £20m new funding facility in place post-transaction and elect to take the option under the agreements to capitalise interest (or 'pay in kind') rather than pay in cash by making the relevant elections with respect to the approximately £249m of the new debt that will be in place post-restructuring.

The Group has undertaken scenario cash flow modelling, as noted above, and believes that the Group should still be in a cash positive position and able to meet its obligations going forward. However, as a result of the impact of, and continuing restrictions resulting from, the ongoing COVID-19 pandemic, along with the effects of potential additional lockdowns, the Group's operations, results and liquidity may be further impacted. This condition indicates a material uncertainty that may cast significant doubt on the Group's and therefore the Company's ability to continue as a going concern. Given the additional actions available, the Directors consider it is appropriate to prepare these financial statements on a going concern basis. The Company financial statements are not required to and therefore do not include the adjustments that would result if they were unable to continue as a going concern.

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

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), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134-136 of IAS 1 Presentation of financial statements
- the requirements of IAS 7 Statement of Cash Flows
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- the requirements of 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 PizzaExpress Financing 2 plc, the smallest and largest group for which the financial information of the Company is consolidated.

Disclosure for new accounting standards effective during the current period

There are no new standards, amendments or interpretations, effective for the first time for the period ending 29 December 2019 that have had a material impact on the Company.

New standards, amendments and interpretations effective during future periods

IFRS 16, 'Leases' is a new standard effective for annual periods beginning on or after 1 January 2019 and has not been applied in preparing these financial statements. The first year of adoption for the Company will be the annual period beginning on 30 December 2019 and it will not have a material impact on the financial statements due to the nature of the operations of the Company.

IFRIC Interpretation 23 'Uncertainty over Income Tax Treatments' ('IFRIC 23') is effective for periods beginning on or after 1 January 2019. This Interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. In such a circumstance, an entity shall recognise and measure its current or deferred tax asset or liability applying the requirements in IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined applying this Interpretation. This is not expected to have a material impact on the Company. There are no other standards issued but not yet effective that are expected to have a material impact on the Company.

Revenue

Revenue represents net invoiced sales of restaurants (including food and beverages), all excluding value added tax.

Revenue is recognised when the goods or services have been delivered to the customer. Revenue is recognised net of discounts provided.

2. Summary of significant accounting policies (continued)

Allocation of costs

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

Rebates receivable from suppliers

Where a rebate agreement with a supplier covers more than one period the rebates are recognised in the Financial Statements in the period in which they are earned.

Holiday pay accrual

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

Operating leases

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

Pensions

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

Finance income

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

Finance costs

Finance costs are charged to the statement of comprehensive income over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

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.

Property, plant and equipment

Property, plant and equipment are stated at original historical purchase cost less accumulated depreciation.

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

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

Office equipment	20% per annum
Furniture and fittings	10% per annum

Short leasehold properties are depreciated over the length of the lease except where the anticipated renewal or extension of the lease is sufficiently certain so that a longer estimated useful life is appropriate. The maximum depreciation period for short term leasehold properties is 30 years.

Impairment of property, plant and equipment

The carrying values of tangible fixed assets are reviewed for impairment by the Directors at each balance sheet date or in periods where events or changes in circumstances indicate that the carrying value may not be recoverable. Any impairment in the value of assets below depreciated cost is charged to the statement of comprehensive income within operating profit. A reversal of an impairment loss is recognised in the profit and loss account up to the extent that the original loss was recognised.

Inventories

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

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 cash and cash equivalents and 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.

2. Summary of significant accounting policies (continued)

Financial instruments (continued)

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. 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 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.

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 judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Intercompany receivables are tested for impairment by taking into account the liquidity of the intercompany counterparty and if the payables get recalled, 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

No revenue was generated in the period (period ended 30 December 2018: £395,000). The restaurant ceased to trade on 2 July 2018.

4. Operating loss

	52-weeks ended 29 December 2019	52-weeks ended 30 December 2018
	£000	£000
Rent - operating leases	-	116
Depreciation of property, plant and equipment	-	39
Loss on disposal of property, plant and equipment	-	1,132
Inventories recognised as expense	-	102

The audit fee of £4,000 (period ended 30 December 2018: £4,000) for the Company for the period was borne by and included within the financial statements of PizzaExpress Group Limited, an intermediate parent Company.

5. Staff costs

The aggregate remuneration for the employees of the Company comprised:

	52-weeks ended 29 December 2019	52-weeks ended 30 December 2018
	£000	£000
Wages and salaries	-	134
Social security costs	-	9
	<u>-</u>	<u>143</u>

The average monthly number of persons employed by the Company during the period was:

	52-weeks ended 29 December 2019	52-weeks ended 30 December 2018
	No.	No.
Restaurants	-	15
	<u>-</u>	<u>15</u>

6. Directors remuneration

No remuneration was paid by the Company to any Director during the period. All Directors were remunerated by PizzaExpress Group Limited during the period. This Company did not make any recharge to the Company as it is not possible to make an accurate apportionment of the Directors' emoluments in respect of each of the companies of which they are directors.

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.

7. Tax on loss

	52-weeks ended 29 December 2019	52-weeks ended 30 December 2018
	£000	£000
Current tax		
Current tax on loss for the period	-	-
	<u>-</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	-	88
Adjustments in respect of previous periods	-	(123)
	<u>-</u>	<u>(35)</u>
Tax on loss	<u>-</u>	<u>(35)</u>

7. Tax on loss (continued)

The tax assessed for the period is equal to (period ended 30 December 2018: higher than) the standard rate of corporation tax in the United Kingdom of 19.0% (period ended 30 December 2018: 19.0%). The differences are reconciled below:

	52-weeks ended 29 December 2019	52-weeks ended 30 December 2018
	£000	£000
Loss before taxation	-	(1,228)
Loss multiplied by standard rate of corporation tax in the UK of 19.0% (Period ended 30 December 2018: 19.0%)	-	(233)
Effects of:		
Adjustments in respect of prior periods	-	(123)
Group relief	-	214
Expenses not deductible for tax purposes	-	107
Total taxation charge for the period	-	(35)

Factors that may affect future tax charges

Any changes in the rate of UK corporation tax will have an impact on the future tax charge. Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These included reductions to the main rate to reduce the rate to 17% from 1 April 2020. This change had been substantively enacted at the balance sheet date. On 11 March 2020, it was announced that this reduction to the main rate of corporation tax would no longer go ahead and that the rate would remain at 19% for both the financial years commencing 1 April 2020 and 1 April 2021. This change was substantively enacted by the Finance Bill 2020 released on 19 March 2020. If this change had been enacted at the balance sheet date, there would not have been any impact on these financial statements.

8. Trade and other receivables

	29 December 2019	30 December 2018
	£000	£000
Amounts owed by group undertakings	682	673
Taxation and social security	6	15
	688	688

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. No such balances existed in either the current or comparative period.

9. Trade and other payables

	29 December 2019 £000	30 December 2018 £000
Amounts owed to group undertakings	1,932	1,932
	<u>1,932</u>	<u>1,932</u>

Amounts owed from 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.

10. Financial instruments

	29 December 2019 £000	30 December 2018 £000
Financial assets		
Trade and other receivables	682	673
	<u>682</u>	<u>673</u>
Financial liabilities		
Trade and other payables	1,932	1,932
	<u>1,932</u>	<u>1,932</u>

11. Called up share capital

	29 December 2019 No. £000	30 December 2018 No. £000
Called up share capital		
1 (period ended 30 December 2018: 1) Ordinary shares of £1 each	1 -	1 -
	<u>1 -</u>	<u>1 -</u>

12. 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 PizzaExpress Group Holdings Limited.

There were no other related party transactions to disclose.

13. Post balance sheet events

In January 2020, the Group announced that an additional £10m super senior loan was provided by an affiliate of Hony Capital (the 'Hony Loan').

In April 2020, the Group obtained a new £70m Super Senior Term Facility (the 'SSTF'). This SSTF was used to repay the Group's £20m Revolving Credit Facility and the Hony Loan. It also provided incremental liquidity to the Group. The SSTF is due to mature in April 2023.

Due to the coronavirus pandemic ("COVID-19"), the Group's entire UK and Ireland restaurant portfolio was closed for operations between 23 March 2020 and 9 July 2020 and the Group has experienced a significant decline in the revenue of its business, with zero to very low revenue from the Group's UK and Ireland restaurants between March and July 2020. As the COVID-19 restrictions have eased since 4 July 2020, the Group began a phased reopening of the UK&I estate, with reduced capacity and additional measures to ensure customer and staff safety, which included 71 restaurants opening their doors for dine-in customers in the week commencing 27 July 2020, and the extension of 35 locations to also offer dine-out options.

Following the ending of the lockdown in England on 2 December, all restaurants in Tier 2 and below have reopened. Those in Tier 3 in England, are operating under additional restrictions and are not open for dine-in, although may be open for delivery and click-and-collect. Restaurants in Wales, Scotland, Northern Ireland and the Republic of Ireland are also operating under different restrictions. Both the reopening of sites and the ongoing operation of reopened sites will continue to be subject to present and future COVID-19 government restrictions.

The Group's operations in Jersey, Hong Kong, Mainland China, Singapore and the United Arab Emirates have been similarly impacted by closures and/or more stringent conditions on operating as a result of COVID-19.

In April 2020, the Group commenced negotiations with an ad hoc group of the holders of the £465m Senior Secured Notes due 2021 (the "Existing SSNs") representing, at the time in excess of 75% of the Existing SSNs. On 4 August, the Group announced the negotiations had resulted in the Group, Hony Capital as existing majority owner and significant holder of the Group's £200m Senior Unsecured Notes due 2022 ("SUNs") and the ad hoc group of Existing SSNs reaching an agreement as to the terms of a financial and operational restructuring of the Group (the "Transaction").

The Transaction was fully completed on 5 November 2020. The financial restructuring comprised the following key steps:

1. The share capital of PizzaExpress Financing 2 plc was transferred from PizzaExpress Financing 1 plc to a new company, Wheel Bidco Limited ("Bidco SPV"). Bidco SPV is a wholly-owned subsidiary of another new company Wheel Topco Limited ("Holdco SPV"). Intercompany receivables owing by the Company to the PizzaExpress Financing 1 plc were released. Holdco SPV, Bidco SPV, PizzaExpress Financing 2 plc and their subsidiaries will together form the "Restructured Group".
2. The Existing SSNs were discharged and converted into a series of new senior secured notes (the "New SSNs") issued by Bidco SPV with a reduced principal amount of £200 million.

Interest is payable in cash on the New SSNs at a rate of 8% per annum or will be capitalised at a rate of 9.5% per annum (at the election of Bidco SPV for the first 24 months) and will mature in November 2025.

3. The New SSN holders will receive 63% of the equity in the Restructured Group (in the form of shares in Holdco SPV).
4. Certain New SSN holders agreed to lend new money to the Restructured Group on a pro rata basis by participating in a £144 million new money facility (the "New Money Facility") to be borrowed by Bidco SPV.

The New Money Facility and New SSNs are guaranteed and secured by members of the Restructured Group on substantially the same terms as the guarantees and security that were in place for the Existing SSNs and SUNs.

In the event of enforcement, the New Money Facility will rank senior to the New SSNs but junior to the SSTF. Interest is payable in cash on the New Money Facility at a rate of 7.5% per annum or will be capitalised at a rate of 9% per annum (at the election of Bidco SPV for the first 24 months) and will mature in May 2025.

35% of the shares in Holdco SPV will be allocated to the lenders under the New Money Facility on a pro rata basis.

5. The SUNs were discharged in full in exchange for 1% of the equity in the Restructured Group (in the form of shares in Holdco SPV).

13. Post balance sheet events(continued)

6. The shareholders of the Group received 1% of the equity in the Restructured Group (in the form of shares in Holdco SPV) in consideration of their support for the Transaction.
7. The SSTF remained in place following the Transaction in accordance in line with its existing terms and, unless refinanced using the proceeds of the New Money Facility, will mature in April 2023.

The Transaction facilitated the implementation of a landlord Company Voluntary Arrangement (CVA) which was formally launched by PizzaExpress (Restaurants) Limited ("PERL") on 18 August 2020 and approved by the requisite majority of unsecured creditors of PERL On 4 September 2020. As an immediate result of the CVA, the Group exited the leases of 74 trading sites and reduced the rental cost base on the majority of the estate. Break rights were inserted into the lease agreements that were compromised as part of the CVA giving landlords the opportunity to terminate the lease during the period up to and including 3 December 2020. As of the date of this report, 23 additional sites have been returned to landlords, with discussions ongoing on a number of sites. As a result of the reduction in number of restaurants, the Group has had to reduce the size of its restaurant teams and restaurant support. During 2020, approximately 2,400 roles have been affected across the UK business in both restaurants and restaurants support, through a combination of voluntary and compulsory redundancies.

The Transaction further included the sale of the Mainland China operations to Snacks Group Limited, an entity affiliated with Hony Capital. The sale completed on 16 October 2020. The Mainland China restaurants formed part of the Group's International segment.

As at the date of this report, it is not possible to make an estimation of the full financial effect of the above transactions, although they are expected to be material.

14. Controlling parties

As at 29 December 2019, the immediate parent company of Hunton House Limited is PizzaExpress Limited, a company who is an indirect subsidiary of PizzaExpress Financing 2 plc, a public limited company under the laws of England and Wales and the smallest and largest group for which consolidated financial statements are prepared. The financial statements of PizzaExpress Financing 2 plc are available from the Company Secretary, Hunton House, Highbridge Estate, Oxford Road, Uxbridge, Middlesex, UB8 1LX.

As at 29 December 2019, the Directors consider Crystal Bright Developments Limited, a company registered in the British Virgin Islands, to be the ultimate parent company, and private equity firm Hony Capital to be the ultimate controlling party.

Since the period end, the Group undertook transactions that impact the ultimate parent undertaking, refer to post balance sheet events note. The ultimate parent of Hunton House Limited from 5 November 2020 has been Wheel Topco Limited, a private company registered in Jersey.