Annual Report 2009

GONDOLA
GROUP LIMITED

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Annual report 2009

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Financial highlights

– Restaurant sales *up* 10.1% to £498.8m

– EBITDA *up* 2.4% to £105.5m

– Net operating cash flow of £101.9m

Operational highlights

– 36 new restaurants opened, an increase of two over the 34 opened in the prior year and including four new Byron restaurants

– Strong pipeline of new restaurants developed, with 11 already contracted for 2009/10 and beyond

– ASK and Zizzi management teams strengthened further

– Significant investment in restaurant systems, enabling sophisticated customer promotional activity and to reward customer loyalty

– Significant progress made in support functions following consolidation 18 months ago

Gondola at a glance

The Gondola Group is the market leader in the UK casual dining sector, operating PizzaExpress, ASK and Zizzi, together with the smaller brands of Milano, Byron and Kettners. The Group employs over 13,500 people, serving over 38 million meals a year in 600 restaurants.

Gondola's restaurants are positioned to offer a great eating out experience which provides value for money, with typical spend per head ranging from £13 to £17. Gondola's distinct brands have broad customer appeal and lend themselves to different occasions.

PizzaExpress (369 restaurants)
'A local pizzeria, the national favourite, pioneering pizza on the high street since 1965'

Milano is the PizzaExpress brand in the Republic of Ireland

ASK (120 restaurants)
'Local, informal Italian restaurant, evoking the Trattoria experience'

Zizzi (102 restaurants)
'The Italian restaurant with real personality; famous for making every occasion feel special'

Byron (6 restaurants)
'Simple, superb quality hamburgers. The way they should be'

Kettners
'Iconic Soho champagne bar and restaurant'

Gondola's strategy remains to:

– deliver profits from the existing estate.
A particular focus this year has been increased communication with our customers. We now have an extensive e-mail database that enables us to communicate directly with our customers on cover driving promotional offers as well as brand building initiatives.

– expand the estate through the roll-out of new and successful development brands.
We have taken advantage of market conditions to secure attractive new sites.

– develop other growth opportunities, including new concepts and other revenue streams.
For example, this year we relaunched the PizzaExpress range of pizzas sold in the retail sector.

Chairman's statement

Chris Woodhouse

"Our continuing progress across all areas is reflected in the Group's strong trading results for the year."

Chris Woodhouse, *Chairman*

The current year has seen us grow both sales and profits through our continued focus on delivering excellence to our customers and by investment in promotional and brand building activity. This has stimulated interest in our brands and generated significant increase in customer numbers. All our individual brands have developed during the period under review with the management teams of ASK and Zizzi in particular being strengthened. I am very pleased to introduce Helen Jones, who joined us in August 2009 as the Managing Director of Zizzi.

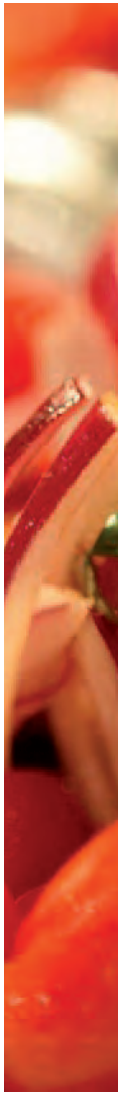
PizzaExpress continued to build on its strong performance of the previous year and this year has enhanced its brand strength with innovative new products combined with successful marketing strategies.

The New Development Group has successfully opened four additional Byron restaurants this year and this outstanding brand is now gaining kudos as a high quality casual dining offer, with momentum to continue its development through further openings. The team has also delivered a major refurbishment and relaunch of Kettners.

Our new openings programme across the Group has been sustained, with a total of 36 new restaurants being opened this year, an increase of two over the previous year. Performance of new restaurants has been above expectations and we will continue to open new restaurants in great locations in the future, taking advantage of the scaling back in this area by some of our competitors.

Chairman's statement

Chris Woodhouse



Despite the tough trading conditions experienced, particularly in the latter part of 2008, our continuing progress across all areas is reflected in the Group's strong trading results for the year. The results were particularly strong in the second half of the year as our promotional activity gained momentum.

Our financial performance shows that Gondola's portfolio of brands has been able to offer an outstanding value for money proposition, which has enabled us to deliver robust results in difficult economic circumstances.

Whilst we expect economic conditions to remain challenging in the forthcoming year, we continue to view the prospects for the Group very positively, and believe that our excellent brands, led by forward-thinking management teams and supported by high quality centralised support functions will continue to deliver growth.

Finally, I would like to thank our employees for their continuing contribution to our businesses. Their dedication and enthusiasm is what the customer experience is all about and allows our brands to stand out from the pack.

Chris Woodhouse
Chairman

Operational review

Our food

> "By associating the brand with a highly regarded chef, it increased customers' awareness of the high quality ingredients and dishes that appear across the core menu."

Gondola's aim is to deliver delicious food through a combination of interesting recipes, quality ingredients and innovation in the way these are used.

During the year under review, PizzaExpress launched two hugely successful menus. In October 2008 for the first time in its history, PizzaExpress put a named chef on the menu. Theo Randall, ex-head chef at the River Café and now with his own restaurant in London, created four signature pizzas for its Autumn menu. The new pizzas brought a fresh look and taste to the menu, characterised by their oval shape and inspired combination of ingredients. By associating the brand with a highly regarded chef, it increased customers' awareness of the high quality ingredients and dishes that appear across the core menu. In April 2009, PizzaExpress introduced a new type of pizza called the Leggera. Only 500 calories and under five grams of saturated fat, the Leggera enables diners to genuinely enjoy eating out whilst managing their weight.

Zizzi made excellent progress on refining its brand positioning, targeting a younger audience with great Italian favourites made special, in an inspired contemporary environment. In particular it achieved great success with the launch of a new menu extending its offer beyond pizza and pasta and introducing a regular specials menu. A new brand identity and restaurant design footprint has also been developed, which reflects the location of individual restaurants, incorporates fresh stylish design elements and highlights their food and charismatic restaurant teams.

Operational review

Our food

ASK's food offering has evolved, based on the success of the ASK Italian trial with key dishes extended to all restaurants for the Autumn menu launch. Specials boards were introduced across the estate to broaden the menu offering and allow for seasonal variations and flexibility within individual restaurants. Fryers were introduced to the cook platform to broaden the menu offering resulting in a number of new and exciting dishes. The 'ASK To Go' take-away range was launched in April 2009 as a key sales driving initiative to increase frequency across all segments.

Development work on our early stage hamburger brand, Byron, has continued. Its simple, straightforward menu of proper hamburgers and homemade chips set in chic, comfortable surroundings has been well received. Now at six restaurants, this brand was recently voted 'Best Cheap Eat' for 2009 in the Observer Food Monthly Awards. Work was undertaken to strengthen the team, proposition and operating processes to support our ambitious growth plans. The business is well placed to grow steadily next year, beginning with the opening of a prime site in Soho in November 2009.

Following an extensive refurbishment, Kettner's reopened in November 2008. Its new design, which has been shortlisted for the Condé Nast International Design and Innovation Award, brings a bright, fresh feel to this unique Soho institution. The Champagne Bar still plays centre stage, whilst the main dining room has been converted into an all-day brasserie with a versatile menu. The two upper floors have been restored and offer private dining room and party options including club-like space 'The Apartment', plus an entire floor for parties. It played host to events for a client list that includes Marie Claire, BBC, Jo Malone, Anne Summers, BBH advertising agency and Parfums Givenchy.

Operational review

Our people



During the year, we continued our investment in the recruitment, training and development of all people at all levels across each of our businesses.

PizzaExpress bedded down several new programmes that aim to develop and retain its best people. This included 'Evolution', a flexible development programme that gives successful Restaurant Managers the capability and confidence to evolve into highly effective leaders and Operations Managers and 'Exploration', a programme to support 'A' Grade Managers and to create a pipeline of appropriate candidates. PizzaExpress also implemented a Leadership Development Programme that will filter down to the rest of the business through the senior management teams.

Zizzi has further stepped up restaurant management recruitment which has attracted higher calibre managers into its business. New bonus and reward incentives have been implemented which recognise outstanding performance by management teams, as well as aiding the retention of managers. The business has also launched a new customer service programme across its estate to ensure a consistency in standards and to enhance the customer experience.

During the period under review, the Change Programme within ASK gained pace. It continued to consolidate working practices across the Operations team to drive consistency throughout the business. This included adopting a consistent approach in measuring restaurant performance and the continuing rollout of a communications programme to enable effective execution across all sites and common ways of working. The ASK People Proposition began to take shape with the development of high calibre teams remaining a key focus with the emphasis being placed on recruitment. The training team built a number of new programmes such as knowledge enhancing workshops about its food. ASK also launched a new recognition scheme designed to encourage reward and recognition at every level of the organisation.

Operational review

Our locations

Working closely together, our property and operational teams have successfully opened 36 new restaurants this year and converted two existing restaurants to Byron. This represents a particularly successful year for new openings, compared to an equivalent total of 34 in the previous financial year.

The general pattern of trading from these openings has been strong relative to the approval targets set. The success of our site opening programme gives us confidence to continue to seek out great sites that will deliver successful Gondola brand restaurants.

Our new openings for the year were:

PizzaExpress
Melton Mowbray, York (Mana), Bristol (Harbourside), Belfast (Victoria Square), Fleet, Ipswich Quay, Midhurst, Bromsgrove, Wrexham, Leeds (Clarence Dock), London (Russia Row), London (White City), Newcastle (Jesmond), Castleford, Gateshead, Lakeside, Westbourne, Newquay, Cobham and Edinburgh (Victoria Terrace)

Milano (PizzaExpress' brand in Ireland)
Dun Laoghaire and Killarney

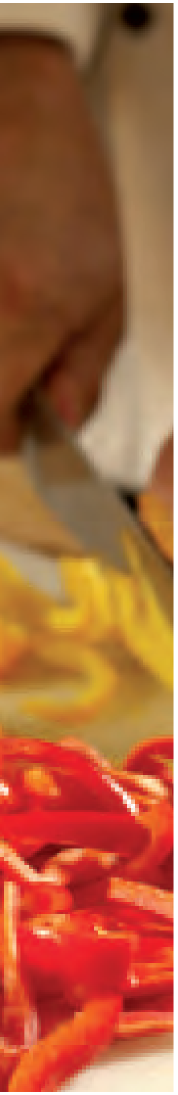
ASK
Abingdon, Warrington, Hornchurch, Livingstone, Epsom and Ashby de la Zouch

Zizzi
Wokingham, Liverpool, Sheffield (Meadowhall), Bristol (Cabot Circus), London (Finchley) and Leicester

Byron
Guildford (conversion of an existing site), and three sites in London: Gloucester Road, White City and King's Road (also a conversion of an existing site).

Operational review

Current trading and outlook



Trading for the Group remains relatively strong, especially taking into account weaker general market conditions. The Group has delivered like-for-like sales growth in the early part of the current financial year and we will continue to use our brand strength and strong customer offers to drive sales through the coming months.

With one new restaurant opened to date and a further 11 under contract, we are continuing to grow the estate to our expectations.

The outlook for the Group therefore remains very positive.

Financial review

Overview

The reported statutory results cover the 52 week period to 28 June 2009 and comparatives for the previous 52 weeks ended 29 June 2008

	2008/09 52 wks Reported £m	2007/08 52 wks Reported £m	52 wks Change %
Summary			
Restaurant sales	**498.8**	453.1	10.1%
Retail and other	**10.5**	8.6	22.1%
Total sales	**509.3**	461.7	10.3%
EBITDA[1]	**105.5**	103.0	2.4%
Margin	**20.7%**	22.3%	
Depreciation and amortisation	**(21.7)**	(20.2)	7.4%
EBITA[2]	**83.8**	82.8	1.2%
Margin	**16.5%**	17.9%	
Goodwill amortisation	**(36.4)**	(36.4)	–
EBIT[3]	**47.4**	46.4	2.2%
Exceptional items[4]	**(1.7)**	(1.9)	
Operating profit	**45.7**	44.5	2.7%

1 EBITDA is defined as EBITA plus depreciation and amortisation (including impairment charges)

2 EBITA is defined as EBIT plus goodwill amortisation. Goodwill of approximately £728 million was established following the acquisition of the business in December 2006 and this is being amortised over 20 years

3 EBIT is defined as operating profit excluding exceptional costs

4 Exceptional items for 2008/09 comprised £1.7 million of costs primarily relating to brand closure costs and a restructuring of certain central functions, including redundancy payments

The Group achieved total sales of £509.3 million in the period under review. This performance represented growth of 10.3% over the prior period, an excellent performance given weak consumer demand amidst difficult economic conditions. The 10.1% increase in restaurant sales reflected growth from the existing restaurants within the Group, combined with the contribution from new openings during the period.

Operating margins reflect our investment in customer value for money, and at 20.7% are 1.6% below last year. This reflects cost pressure, our strong promotional programme of discounts to customers which delivered sales growth above expectations and investments in supporting the growth of our brands for the future. The Group continues to work closely with its supplier base to mitigate some of the cost increases.

The Group increased EBITDA by 2.4% to £105.5 million. The combination of EBITDA growth, together with an increased level of depreciation, reflective of our investment in new openings, resulted in a 1.2% increase in EBITA (ie before goodwill amortisation) to £83.8 million. EBIT increased by 2.2% to £47.4 million.

Cash flow

The Group continues to be highly cash generative, with net cash flow from operations at £101.9 million in the period. From this, £53.7 million was used to service the Group's net cash interest and other costs associated with its financing structure.

We are pleased to have been able to invest a further £47.5 million in the expansion and maintenance of our restaurant estate and have secured high quality new locations during the year, all of which were subject to stringent approval conditions in relation to expected returns.

In addition, net tax refunds of £1.8 million were received in the period relating to 2006, 2007 and 2008.

Financing structure

The Group's financing structure, implemented when the Group's business was taken private in December 2006, comprises three main components:

- external bank debt
- shareholder loan notes
- shareholder equity

The external debt is in the form of senior and mezzanine debt which was syndicated to a number of participating financial institutions after the original transaction. The loan notes and equity were provided by the Cinven Funds[1], together with smaller investments by Bank of Scotland and management. Interest on the shareholder loan notes and on a portion of the mezzanine facility rolls up into the principal balance and is not due for payment until the maturity or repayment of the respective loan.

As at 28 June 2009, the Group's net external debt was £576.8 million all of which matures on or after December 2012. Including shareholder loans, total net debt was £970.3 million. Further details on the Group's borrowings are provided in notes 16 and 18 to the financial statements. In addition to the external debt facilities, the Group has an undrawn revolving credit facility of £20 million.

The external bank debt facilities are subject to certain financial and non-financial covenants. The financial covenants include annual limitations on capital expenditure and require the maintenance of certain minimum ratios of EBITDA to interest payable and a maximum ratio of EBITDA to net debt. In addition, there is a requirement that net operating cash flows are not less than the Group's cash cost of servicing the bank debt. All of the covenants were met with adequate headroom during the period under review and we expect to comfortably comply with the requirements for the foreseeable future.

1 Funds managed and advised by Cinven Limited as detailed in note 25 to the financial statements.

Corporate social responsibility

> "PizzaExpress has launched an initiative to encourage a change in the way we operate in our restaurants to reduce our carbon emissions across the estate."

Employees

Serving 38 million meals to customers a year, our people truly are our greatest asset and we believe in treating them as such: with respect, looking after their welfare and allowing them the freedom to be themselves and to flourish.

We encourage a work environment that is fair, open and communicative with many benefits for our employees.

Our employees have a performance review at least once a year, which includes consideration of skills development and career prospects. We aim to keep, develop and promote our best staff, offering a variety of training courses and development opportunities.

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

Communication flows both ways, as we take the views of our employees seriously. Our aim has been to make it as easy as possible for our employees to air their opinions, express their ideas and voice any problems they may have. Examples include a cascade process of meetings to communicate key messages throughout the organisation, a weekly feedback process for operational issues and a bright ideas scheme.

We have a diverse workforce and an equal opportunities policy in place. We aim to employ people who reflect the diverse nature of society and value people and their contribution irrespective of

Corporate social responsibility

age, sex, disability, sexual orientation, race, colour, religion, marital status or ethnic origin.

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

Applications from disabled persons are given full consideration providing the disability does not seriously affect the performance of their duties. Such persons, once employed, are given appropriate training and equal opportunities.

Safety, quality and nutrition

We serve hand-made food using fresh, high quality ingredients in environments where safety and quality are paramount.

Firstly, the Group is committed to providing a safe and secure environment for both its customers and its employees. To support and demonstrate this commitment we employ safety advisors to ensure legal compliance and to establish health and safety management procedures within the business.

Food hygiene is also key. A dedicated food safety team focuses on food management procedures within the business, auditing and monitoring our restaurants.

Each of our restaurants has its own pizzaiolo chefs who hand-make food using fresh, top quality ingredients. As the majority of the food is made right there and then, customers are able to request how much of a certain ingredient is included in their dishes depending on their tastes and food requirements. Customers are therefore able to request more, less or none of an ingredient if they so wish.

Whilst we do everything in our power to ensure that our customers have a great experience, we also aim to be responsive to any problems that arise.

Suppliers are seen as an integral part of our business ethos. We actively seek out suppliers who share our values and are committed to an ethical way of operating. We have a dedicated supply chain team and process in place to ensure that responsible business practices are incorporated into the procurement process and that best practice is shared.

We also work closely with suppliers to develop dishes that reduce salt, sugar and fat content without compromising flavour and customer enjoyment.

Environment

We have continued our work with The Carbon Trust to limit our environmental impact. Most recently PizzaExpress has launched an initiative to encourage a change in the way we operate in our restaurants to reduce our carbon emissions across the estate.

We continue to actively seek to open restaurants in older, more unusual buildings where we work with the building to enhance and preserve its features and heritage rather than simply impose a standardised fit-out.

Corporate social responsibility

Supporting our local communities

Our brands are familiar faces and are close to communities throughout the UK.

To rival Gondola's previous group charity initiative – the North Pole Marathon – a team of waiters, restaurant managers, support managers and directors plus legends from sport Lawrence Dallaglio and Damian Hopley, took part in a once in a lifetime opportunity to raise money for the baby charity Bliss. The challenge was to cycle 933km over the Pyrenees from Biarritz on the Atlantic to Banyuls on the Mediterranean in just eight days. After eight months of training, the Gondola team of 30 cyclists completed this challenge in September and raised £435,500 for Bliss – the most Bliss has ever received from a single event. The amount raised will fund the Bliss research and development budget for an entire year.

PizzaExpress' Schools Programme, developed in association with Education Business Partnerships, continued to engage with primary school children across the country. This programme gives children an introduction to the workplace, a chance to see the practical application of subjects learnt at school and an experience to build on back in the classroom.

PizzaExpress also continued its long-term support of the 'Venice in Peril' charity, which was set up to help in the restoration of Venice. A 25p contribution from every Veneziana pizza sold goes to this fund which has raised £1.6m since it was set up in the late 1960s.

ASK and Zizzi continued their support of local communities through donating vouchers to charities that support babies, children, adults and the elderly, ranging from nationally-known charities such as Great Ormond Street Hospital to local groups such as The Rainbow's Children's Hospice in Leicestershire.

Board of directors

1. Chris Woodhouse
2. Yagnish Chotai
3. Peter Catterall
4. Charles Miller-Jones
5. Harvey Smyth
6. Nick Carter

Chris Woodhouse (48)
Chris became non-executive Chairman of the Group in April 2007. He holds an executive role as Finance Director of Debenhams plc. He was previously Deputy Chairman of Halfords Group and Commercial Director and Deputy Chief Executive at Homebase Group. He is a former finance director of Birthdays Group Limited and Superdrug Stores plc. He is a Fellow of the Institute of Chartered Accountants in England and Wales and is an Associate of the Association of Corporate Treasurers.

Yagnish Chotai (50)
Yagnish became a non-executive director of the Group in October 2006 and was involved in its subsequent acquisition of Gondola Holdings plc in December 2006. He retired as a Partner with Cinven at the end of June 2009. He was involved in a number of Cinven transactions in addition to Gondola, including Partnerships in Care, Fitness First, Unique Pub Company, William Hill, United Biscuits, COMAX, Oxoid and General Healthcare.

Peter Catterall (40)
Peter became a non-executive director of the Group in October 2006 and was involved in its subsequent acquisition of Gondola Holdings plc in December 2006. He is a Partner with Cinven Limited, having joined them in 1997 and has been involved in several transactions in addition to Gondola, including Gala Coral Group, Amadeus and Frans Bonhomme.

Charles Miller-Jones (28)
Charles joined the Group's board as a non-executive director in July 2007. He is a Principal with Cinven Limited, having joined them in 2005 and is a member of the Consumer sector team. He has been involved in a number of investments in addition to Gondola, including Gala Coral Group and Smurfit Kappa.

Harvey Smyth (41)
Harvey joined PizzaExpress in October 2003 as its Chief Executive Officer, and became Chief Executive Officer of the Gondola Group following the acquisition of Gondola Holdings plc by Cinven in December 2006. He was previously Deputy Chief Executive Officer and UK Managing Director of Pret A Manger. Harvey has a degree in biochemistry from Bristol University, and is also a qualified Chartered Accountant.

Nick Carter (42)
Nick was appointed Finance Director of the Group in April 2007. Prior to this he was Finance Director at Halfords plc and Birthdays Group Limited and held a number of finance and commercial roles at Superdrug Stores plc and Kingfisher plc. Nick qualified as a Chartered Accountant at KPMG.

Directors' report

The directors present their annual report for Gondola Group Limited ('the Company') and its subsidiaries (together 'the Group'), together with their audited financial statements for the 52 week period ended 28 June 2009. The comparative information presented relates to the 52 week period to 29 June 2008. The basis of preparation of the accounts is set out in note 1 on page 29.

Results and dividends

The results of the Group for the period are set out on page 24.

The directors are unable to recommend the payment of a final dividend.

Principal activity, business review and future developments

During the period, the Company continued activity as an investment company.

The principal activity of the Group is operating restaurants.

The performance of the Group is measured through the use of three key performance indicators being sales and profitability versus annual budget and the number of open restaurants. A review of the Group's operations and performance during the period and of future developments is included in the Operational review and the Financial review, which forms part of this report on pages 7 to 13.

Principal business risks and uncertainties

The Board has the primary responsibility for identifying the principal risks which the business faces and for developing appropriate policies to manage those risks. To assist with this process, a semi-annual Risk Review is presented to the Board.

Given the nature of the Group's businesses, the principal business risks relate to the following:

- consumer demand and prevailing economic conditions
- consumer tastes, relating to preferences and perceptions of eating out choices
- sourcing of fresh ingredients and maintenance of high standards of food safety
- cost pressures associated with food supplies, labour, lease rentals, utilities and other inputs
- securing of suitable new sites to achieve roll-out plans

Financial risk management

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk, cash flow risk and interest rate risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the Group under guidance by the Board of Directors (the 'Board'). The Group identifies, evaluates and addresses financial risks in close co-operation with the Group's operating units.

(a) Foreign exchange risk

The Group operates mainly in the UK and has a small subsidiary in Ireland and, as a result, the Group's balance sheet can be affected by movements in Euros. This currency exposure is not material as at the date of this report. Currency exposures are reviewed regularly.

Foreign exchange risk may arise from future commercial transactions as the Group purchases certain goods from European suppliers. During the period ended 28 June 2009 the Group hedged these commitments naturally with cash generated from operations in Ireland. The finance function is responsible for managing the net position in each foreign currency.

(b) Credit risk

The Group has no significant concentrations of credit risk. The nature of the operations results in a large and diverse customer base and a significant proportion of cash sales. The Group has policies that limit the amount of credit exposure to any financial institution.

(c) Liquidity risk

The Group manages its exposure to liquidity risk through a naturally low level of debtors, maintaining a diversity of funding sources and the spreading of debt repayments over a range of maturities.

(d) Cash flow and interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group has entered into an interest rate swap to manage its interest rate risk. Further details of interest rate risk are given in note 18 to the financial statements.

Directors

The directors of the Company during the period and up to the date of signing the accounts were:

N Carter
P Catterall
Y Chotai
C Miller-Jones
H Smyth
C Woodhouse

A brief summary of the experience of each director is provided on page 17.

Charitable and political donations

The Group makes significant contributions to community related initiatives and uses the sale of certain menu items to raise funds for specific causes as described on page 16. In addition to these initiatives, the Group made charitable donations in the period of £12,000 (2008: £13,000). No political donations were made in the period.

Statement of Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group 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 applicable UK Accounting Standards have been followed, 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 the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Directors' indemnities

Qualifying third party indemnity provisions as defined by the Companies Act 2006 are in force for the benefit of directors.

Directors' report

Provision of information to auditors

Each of the persons who is a director at the date of approval of this report confirms that:

(1) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
(2) each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418(2) of the Companies Act 2006.

Independent auditors

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

By order of the Board

N Carter
Secretary

20 October 2009

Corporate governance report

The Group is committed to high standards of corporate governance appropriate for a large, private company and the Board is accountable to all of the Group's shareholders, including minority shareholdings held by management and employees for good corporate governance.

The Board

The current board has been in place since early 2007, following the acquisition of Gondola Holdings plc in December 2006. The Board considers that it is of an appropriate size for the requirements of the business, and that it has the appropriate balance of skills, knowledge and experience.

The Board comprises a chairman, three non-executive directors who represent Cinven Limited (as representatives of the ultimate parent undertakings, the Cinven Funds) and two executive directors.

The Board's role is to provide leadership to, and to set the strategic direction of, the Group. The Board monitors operational performance and is also responsible for establishing Group policies and internal controls to assess and manage risk.

The Board meets regularly throughout the year and, in addition to the routine reporting of financial and operational issues, reviews the performance of each of the brands in detail. There is a schedule of matters reserved for the Board and certain matters are delegated to the Board Committees and the executive directors. The schedule of reserved matters includes approval of annual budgets, strategic plans, senior management appointments, dividend policy and capital structure management, major contracts and major capital expenditure. Items delegated to the executive directors include the approval of capital or other expenditure below the limits required for board sign off, disposal of low value assets and approval of minor contracts or less senior appointments.

The Board is scheduled to meet between eight and twelve times each financial year.

The executive responsibility for overseeing the day-to-day management of the Group is delegated to Harvey Smyth, the Chief Executive, together with his executive team.

There is a clear division of responsibility between the non-executive Chairman and the executive directors.

The Chairman is responsible for:

– The leadership of the Board, ensuring its effectiveness and setting its agenda
– Facilitation of the effective contribution of non-executive directors, and ensuring constructive relations between them and the executive directors.

The executive directors are responsible for:

– Setting the strategic direction of the Group
– Preparing annual budgets and medium term projections for the Group and monitoring performance against plans and budgets
– Overseeing the day-to-day management of the Group
– Effective communication with shareholders
– Preparing the annual financial statements.

The Company Secretary acts as secretary to the Board and its committees. He is responsible for ensuring that the directors receive appropriate information prior to meetings, and for ensuring that governance requirements are considered and implemented.

The Remuneration Committee has undertaken a review of the effectiveness of the executive directors during the year, reporting to the Chairman. Executive directors are included in the annual performance evaluation of all senior management, which includes a review of performance against a range of specific objectives.

Relations with shareholders

The Group is committed to maintaining effective communication with all of its shareholders in order to maintain a clear understanding of its objectives and its performance against those objectives.

Three non-executive directors currently represent the largest shareholders of the Group, the Cinven Funds. The remaining shareholders of the Group are typically senior management and employees of the Group who hold shares through the 'Gondola Investment Plan' which was established following the acquisition of Gondola Holdings plc. Employees receive regular communication about the performance of the Group, as described on page 14.

Corporate governance report

Remuneration Committee

This committee comprises the Chairman, the Chief Executive and two of the non-executive directors and is chaired by Chris Woodhouse.

The Remuneration Committee is responsible for the following key areas:

- Determining the participation of directors and employees in the Gondola Investment Plan
- Agreeing the framework for the remuneration of the executive directors and other senior executives, and determining the total individual remuneration packages of each person, including pension arrangements. The Chief Executive is not present when his own remuneration package is determined
- Determining specific incentives for the executive directors and senior management to encourage enhanced performance by being rewarded in a fair manner for their individual contributions to the success of the Group
- Ensuring that contractual terms on termination and any payments made are fair to the individual and to the Group (and that failure is not rewarded)
- Evaluating the performance of the executive directors against objectives set.

Audit Committee

This committee comprises the Chairman, the Finance Director and two of the non-executive directors and is chaired by Chris Woodhouse. Relevant senior management are invited to attend audit committee meetings as required.

The Audit Committee is responsible for all matters relating to the regulatory and accounting requirements that may affect the Group, together with the financial reporting and internal control procedures adopted by the Group. In addition, the committee is responsible for ensuring that an objective and professional relationship is maintained with the external auditors.

Key areas for which the committee is responsible include:

- Reviewing the Group's financial statements prior to approval on behalf of the Board and reviewing the external auditors' reports thereon
- Establishing procedures to ensure that the Group monitors and evaluates risks appropriately
- Reviewing internal controls and establishing an internal audit plan to monitor the effectiveness of those controls
- Considering the consistency of accounting policies across the Group and the accounting for any significant or unusual transactions where different approaches are possible
- Assessing the independence and objectivity of the external auditors.

Independent auditors' report to the members of Gondola Group Limited

We have audited the Group and parent company financial statements (the 'financial statements') of Gondola Group Limited for the 52 week period ended 28 June 2009 which comprise the Group Profit and Loss Account, the Group and parent company Balance Sheets, the Group Cash Flow Statement, the Consolidated Reconciliation of Movements in Shareholders' Deficit, the Consolidated Statement of Total Recognised Gains and Losses and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 19 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Sections 495 and 496 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent company's affairs as at 28 June 2009 and of the group's loss and cash flows for the 52 week period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Rosemary Shapland (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Gatwick

20 October 2009

Consolidated profit and loss account

for the period ended 28 June 2009

Continuing operations	Note	52 weeks ended 28 June 2009 £m	52 weeks ended 29 June 2008 £m
Turnover	3	509.3	461.7
Cost of sales		(396.6)	(356.8)
Gross profit		112.7	104.9
Administrative expenses (excluding exceptional costs)		(65.3)	(58.5)
Operating exceptional costs	5	(1.7)	(1.9)
Total administrative expenses		(67.0)	(60.4)
Operating profit	4	45.7	44.5
Loss on disposal of fixed assets		(0.2)	(0.5)
Profit on ordinary activities before interest and taxation		45.5	44.0
Net interest payable and similar charges	7	(97.9)	(96.3)
Loss on ordinary activities before taxation		(52.4)	(52.3)
Taxation on loss on ordinary activities	8	(2.6)	(4.4)
Loss for the financial period	20	(55.0)	(56.7)

There is no material difference between the loss on ordinary activities before taxation and the loss for the financial period stated above and their historical cost equivalents.

As permitted by Section 408 of the Companies Act 2006, a profit and loss account for Gondola Group Limited has not been presented in these Financial statements. For the 52 weeks ended 28 June 2009 the Company made a loss of £0.1 million (2008: £0.2 million).

Consolidated balance sheet

as at 28 June 2009

	Note	28 June 2009 £m	29 June 2008 £m
Fixed assets			
Intangible assets – goodwill	9	636.4	672.8
Tangible assets	10	266.2	240.6
		902.6	913.4
Current assets			
Stock	12	11.6	10.5
Debtors	13	25.2	25.6
Cash at bank and in hand	14	48.2	44.0
		85.0	80.1
Creditors: amounts falling due within one year	15	(88.7)	(92.4)
Net current liabilities		(3.7)	(12.3)
Total assets less current liabilities		898.9	901.1
Creditors: amounts falling due after more than one year	16	(1,009.9)	(958.2)
Provisions for liabilities and charges	17	(24.6)	(24.1)
Net liabilities		(135.6)	(81.2)
Capital and reserves			
Called up share capital	19	8.0	8.0
Profit and loss account	20	(143.6)	(89.2)
Total shareholders' deficit		(135.6)	(81.2)

The financial statements on pages 24 to 55 were approved by the Board of Directors 20 October 2009.

H Smyth
Director

N Carter
Director

Company balance sheet

as at 28 June 2009

	Note	28 June 2009 £m	29 June 2008 £m
Fixed assets			
Investments	11	7.9	7.9
		7.9	7.9
Current assets			
Debtors	13	0.9	0.7
Cash at bank and in hand	14	0.1	0.3
		1.0	1.0
Creditors: amounts falling due within one year	15	(1.3)	(1.2)
Net current liabilities		(0.3)	(0.2)
Net assets		7.6	7.7
Capital and reserves			
Called up share capital	19	8.0	8.0
Profit and loss account	20	(0.4)	(0.3)
Total shareholders' funds		7.6	7.7

The financial statements on pages 24 to 55 were approved by the Board of Directors 20 October 2009.

H Smyth
Director

N Carter
Director

Consolidated cash flow statement

for the period ended 28 June 2009

	Note	52 weeks ended 28 June 2009 £m	52 weeks ended 29 June 2008 £m
Net cash inflow from operating activities	21	101.9	105.1
Returns on investments and servicing of finance			
Interest received		0.8	2.7
Interest paid		(53.7)	(58.2)
Net cash outflow from returns on investments and servicing of finance		(52.9)	(55.5)
Taxation received/(paid)		1.8	(4.4)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(47.5)	(42.9)
Sale of tangible fixed assets		0.4	4.9
Net cash outflow from capital expenditure and financial investment		(47.1)	(38.0)
Net cash inflow before use of liquid resources and financing		3.7	7.2
Management of liquid resources			
Decrease/(increase) on short term deposits with banks		29.0	(7.3)
Net cash inflow/(outflow) from management of liquid resources	14	29.0	(7.3)
Financing			
Transfers from restricted bank accounts	14	–	28.3
Redemption of loan notes		–	(27.4)
Finance lease capital raised	21	0.5	–
Net cash inflow from financing		0.5	0.9
Increase in cash	14, 21(b)(c)	33.2	0.8

Consolidated reconciliation of movements in shareholders' deficit

as at 28 June 2009

	28 June 2009 £m	29 June 2008 £m
Loss for the financial period	(55.0)	(56.7)
Foreign exchange	0.6	0.6
Net increase in shareholders' deficit	(54.4)	(56.1)
Opening shareholders' deficit	(81.2)	(25.1)
Closing shareholders' deficit	(135.6)	(81.2)

Consolidated statement of total recognised gains and losses

for the 52 weeks ended 28 June 2009

	28 June 2009 £m	29 June 2008 £m
Loss for the financial period	(55.0)	(56.7)
Exchange gains offset in reserves	0.6	0.6
Total recognised losses since last financial period	(54.4)	(56.1)

Notes to the financial statements

1 Basis of preparation
The principal activity of Gondola Group Limited (Gondola) and its subsidiaries (the Group) is operating restaurants.

The consolidated financial information presented is in respect of the underlying businesses of PizzaExpress Limited (PizzaExpress) and ASK Central Limited (ASK) together with the Group holding companies described in note 26. The comparative Group and Company financial information presented is for the 52 week period ended 29 June 2008.

2 Accounting policies
The financial information has been prepared under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom and with the Companies Act 2006. The most significant accounting policies, which have been applied consistently throughout the period are described below.

Going concern
The directors have prepared the accounts on a going concern basis. Whilst the Group has net liabilities of £135.6 million and current liabilities of £3.7 million at 28 June 2009, management have prepared cash flow forecasts for a three year period from the year end date which indicate that the Group will be able to meet its liabilities when they fall due for the foreseeable future.

Basis of Consolidation
The consolidated balance sheets include all the assets and liabilities of all subsidiaries including those acquired during the period. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

All transactions and balances between the Group's businesses have been eliminated in the preparation of the consolidated financial information. All subsidiaries have co-terminous year ends and follow uniform accounting policies.

Turnover
Turnover represents net invoiced sales of food and beverages and royalties from retail sales excluding value added tax. Turnover of restaurant services is recognised when the goods have been provided. Retail turnover is recognised on product delivery. Royalties from retail sales are recognised in turnover when due under the terms of the relevant franchise and retail sales agreements.

Allocation of costs
Cost of sales includes all direct costs incurred in restaurants. Administrative expenses includes central and area management, administration and head office costs together with goodwill amortisation.

Rental Income
Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. It is netted off against rental costs and is recognised within administrative expenses.

Tangible fixed assets
Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Costs include the purchase price of the asset together with incidental expenses incurred. Depreciation is provided at the following annual rates in order to write down to estimated residual values the cost of each asset over its estimated useful economic life on a straight line basis:

Plant 20% per annum
Fixtures 10% per annum
Motor vehicles 25% per annum
IT equipment 20–33% 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. Current legislation and the terms of the lease contracts are such that all of the leases are readily extendible by an additional 14 years. The maximum depreciation period for short term leasehold properties is 30 years.

The cost of freehold and long leasehold properties is depreciated over the lesser of 50 years or the outstanding term of the lease.

Assets under construction comprise tangible fixed assets acquired for restaurants under construction, including costs directly attributable to bringing the asset into use. Assets are transferred to long leaseholds, short leaseholds, plant and fixtures when the restaurant opens. No depreciation is provided on assets under construction, as these assets have not been brought into working condition for intended use.

Sales of properties are recognised in the accounts when unconditional contracts are exchanged.

Impairment of fixed assets
The carrying values of fixed assets are reviewed for impairment by the Directors at each balance sheet date and in periods where events or changes in circumstances indicate that the carrying value may not be recoverable. Any impairment in the value of fixed assets below depreciated historical cost is charged to the profit and loss account 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.

2 Accounting policies (continued)

Onerous lease provisions

Onerous lease provisions are recognised when the Group has a sublet property for which the Group's lease obligation cannot be met in full, or where a restaurant is loss-making for an extended period of time. An estimate is made of the period of time and the extent to which the lease obligations cannot be fulfilled and a provision made accordingly.

Pre-opening costs

Pre-opening costs, which comprise site operating costs, are expensed as incurred.

Exceptional costs

The Group presents a total net figure, on the face of the profit and loss account, for exceptional items. Exceptional items are material items of profit and cost that, because of the unusual nature and expected infrequency of the events giving rise to them, merit separate presentation to allow an understanding of the Group's financial performance.

Stocks

Raw materials and consumables 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.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date which are due to transactions or events which have occurred at that date and which will result in an obligation to pay more, or a right to pay less, tax in the future.

Resultant deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the deferred tax assets resulting from the underlying timing differences can be recovered.

Deferred tax is measured on an undiscounted basis at the average tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Goodwill

Goodwill represents the difference between the fair value of the purchase consideration and the fair value of the separable net assets acquired. Goodwill on the acquisition of a business is capitalised and amortised over its useful economic life. The useful economic life is a maximum of 20 years.

Goodwill is subject to an impairment review at the end of the first full year following an acquisition and at any other time when the directors believe that an impairment may have occurred. Changes in provision for impairment are taken to the profit and loss account.

Foreign currency transactions

Transactions denominated in foreign currencies are recorded at spot rate at the date of the transaction. Monetary assets and liabilities expressed in foreign currencies held at the balance sheet date are translated at the closing rate. The resulting exchange gain or loss is dealt with in the profit and loss account. The results of foreign subsidiaries are translated at the average rate. The balance sheets of foreign subsidiaries are translated at the closing rate. The resulting exchange differences are dealt with through reserves and are reported in the consolidated statement of total recognised gains and losses.

Operating leases

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease. The benefit of lease incentives are taken to the profit and loss account on a straight line basis over the shorter of the lease term or the period until the first rent review.

Contributions received from landlords as an incentive to enter into a lease are treated as deferred income within creditors.

Pension costs

Contributions to defined contribution personal pension schemes are charged to the profit and loss account in the year in which they become payable.

Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Liquid resources are defined as current asset investments, given that they are readily convertible into known amounts of cash without curtailing or disrupting the business. Liquid resources comprise term deposits of less than one year (other than cash).

Restricted cash comprises cash deposits held as collateral against certain secured loan notes. Restricted cash is not treated as cash for the purposes of the cash flow statement.

Debt finance

All borrowings are initially stated at the fair value of consideration received after deduction of issue costs. The issue costs and interest payable on borrowings are charged to the profit and loss account over the term of the borrowing, or over a shorter period where it is more likely than not that the lender will require earlier repayment or where the borrower intends or is required to redeem early.

Rebates receivable from suppliers

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

2 Accounting policies (continued)

Financial instruments

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

The derivative instruments used by the Group to manage its interest rate risk are interest rate swaps.

Interest differentials under interest rate swap agreements are recognised in the profit and loss account by adjustment of interest expense over the life of the agreement.

Investments

Investments are held at cost less any provisions for impairment.

Share-based payments

The Group operates an equity-settled, share-based compensation plan, the 'Gondola Investment Plan' taking the form of ordinary C shares in the Company which may have beneficial terms on exit if certain valuation thresholds are met (see note 19). Employees subscribe for these shares at a value which is determined by the Remuneration Committee, a sub-committee of the Board of Directors. The fair value of the employee services received in exchange for any additional potential uplift in value of the shares on exit, specifically as a result of the valuation thresholds being achieved, is recognised as a cost. The total amount to be charged over the estimated period to exit is determined by reference to the potential uplift in value of the shares on exit, including the likelihood of any such thresholds being met.

3 Turnover

Business sector analysis

The Group has operated in one business sector in the period, being the sale of food and beverages.

Geographical sector analysis

Turnover by destination and by origin from countries other than the United Kingdom and Republic of Ireland in all financial periods was not material.

4 Operating profit

Group operating profit is stated after charging/(crediting):	Notes	52 weeks ended 28 June 2009 £m	52 weeks ended 29 June 2008 £m Restated
Shown within cost of sales:			
Employee costs	6	157.1	144.0
Depreciation of owned tangible fixed assets:	10		
– Plant, fixtures, IT equipment and motor vehicles		8.5	8.3
– Short leasehold premises		11.2	10.5
Impairment – short leasehold premises	10	0.8	0.6
Impairment – plant and machinery	10	0.3	–
Operating lease rentals:			
– Hire of plant and machinery		0.1	0.3
– Short leasehold premises		44.2	39.5
Rental income		(1.8)	(1.7)
Repairs and maintenance		8.6	8.3
Shown within administrative expenses:			
Employee costs	6	15.7	12.1
Amortisation of goodwill	9	36.4	36.4
Depreciation of owned tangible fixed assets:	10		
– Plant, fixtures, IT equipment and motor vehicles		0.7	0.7
– Short and long leasehold premises		0.2	0.1
Operating lease rentals:			
– Hire of plant and machinery		0.2	–
– Short leasehold premises		0.7	0.2
Auditors' remuneration:			
– Statutory audit fees and expenses		0.2	0.2
– Tax compliance		0.1	0.1

5 Operating exceptional costs

Shown within operating exceptional costs :	52 weeks ended 28 June 2009 £m	52 weeks ended 29 June 2008 £m
Exceptional costs		
– Brand closure costs	0.8	–
– Central restructuring costs	0.9	–
– Costs incurred in relation to the acquisition of Gondola Holdings plc	–	0.1
– Relating to Head Office consolidation	–	1.1
– Relating to ASK and Zizzi operational restructure	–	0.7
Total operating exceptional costs	1.7	1.9

During the period ended 28 June 2009, £0.8 million of exceptional costs were incurred in closing down two redundant brands. Of these costs, £0.6 million were asset write-offs and £0.2 million relates to an onerous lease provision.

In addition, £0.9 million was incurred in relation to restructuring certain central departments across the Group. These costs were principally redundancy and associated costs.

During the period ended 29 June 2008, exceptional costs of £1.9 million were incurred, comprising £0.1 million of professional advisors fees in relation to the acquisition of Gondola Holdings plc, £1.1 million of redundancy and other costs associated with the Head Office consolidation and £0.7 million relating to the division of the ASK and Zizzi operational teams, principally redundancy costs and professional advisor fees.

Notes to the financial statements

6 Employees and Directors

	52 weeks ended 28 June 2009 £m	52 weeks ended 29 June 2008 £m Restated
a) Employee costs:		
Wages and salaries	159.8	144.8
Social security costs	12.4	10.7
Other pension costs	0.6	0.6
	172.8	156.1
Disclosed within:		
Cost of sales	157.1	144.0
Administrative expenses	15.7	12.1
	172.8	156.1
b) Employee numbers (including directors)		
The average number of persons employed by the Group during the period was:	Number	Number
Restaurants and distribution	12,978	12,369
Administration	329	267
	13,307	12,636

The Company has no employees (2008: nil).

Total directors' remuneration in the period was as follows:

	52 weeks ended 28 June 2009 £'000	52 weeks ended 29 June 2008 £'000
Aggregate emoluments	1,106	725
Social security costs	99	64
	1,205	789

Pension contributions of £70,800 (2008: £84,710) were paid into individual personal pension plans in relation to two directors.

6 Employees and Directors (continued)

Emoluments in respect of the highest paid director were as follows:

	52 weeks ended 28 June 2009 £'000	52 weeks ended 29 June 2008 £'000
Aggregate emoluments	354	273
Pension contributions	38	38
	392	311

Messrs. Peter Catterall, Yagnish Chotai and Charles Miller-Jones, who represent Cinven Limited, received no remuneration from the Group in respect of their services as directors or in respect of any services to the Group. Cinven Limited was paid fees of £0.3 million (2008: £0.3 million) in respect of their services (see note 24), which is included in the aggregate emoluments disclosed above.

No director waived any emoluments in the period.

The Group does not operate a defined benefit pension scheme. Directors are responsible for their own pension arrangements and any contributions by the Group are made directly into these individuals' personal pension plans.

7 Net interest payable and similar charges

	Note	52 weeks ended 28 June 2009 £m	52 weeks ended 29 June 2008 £m
Interest payable on bank loans and overdrafts			
– Bank loans – Senior Facilities	18	42.0	46.5
– Bank loans – Mezzanine Facility	18	7.8	8.5
– Bank loans – other		0.4	0.2
Interest payable on secured loan notes	18	–	0.9
Interest payable on shareholder loans	18	45.2	40.0
Amortisation of issue costs of bank and shareholder loans	18	3.5	3.5
Interest payable and similar charges		98.9	99.6
Interest receivable		(1.0)	(3.3)
Net interest payable and similar charges		97.9	96.3

Interest on the shareholder loans and on a portion of the Mezzanine Facility rolls up into the principal balance and is not due until the maturity or repayment of the respective loan.

8 Taxation on loss on ordinary activities

	Note	52 weeks ended 28 June 2009 £m	52 weeks ended 29 June 2008 £m
United Kingdom corporation taxation		3.0	1.5
Overseas corporation taxation		0.3	0.5
Overprovision in respect of prior years		(1.2)	(0.4)
Total current tax charge		2.1	1.6
Deferred tax			
Origination and reversal of timing differences		2.4	2.4
Effect of change in rate of UK corporation tax		–	0.1
(Over)/underprovision in respect of prior years		(1.9)	0.3
Total deferred tax charge	17	0.5	2.8
Tax charge on loss on ordinary activities		2.6	4.4

The tax charge for the period is lower than the standard rate of corporation tax in the UK of 28% (2008: 29.5%). The differences are explained below:

	52 weeks ended 28 June 2009 £m	52 weeks ended 29 June 2008 £m
Loss on ordinary activities before tax	(52.4)	(52.3)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008: 29.5%)	(14.6)	(15.4)
Effects of:		
Expenses not deductible for tax purposes	21.1	20.5
Income not taxable	–	(0.2)
Effect of overseas tax at lower rate	(0.8)	(0.5)
Accelerated capital allowances	(2.4)	(2.4)
Prior period adjustments	(1.2)	(0.4)
Total current tax	2.1	1.6

9 Intangible assets – goodwill

	£m
Cost:	
At 30 June 2008 and 28 June 2009	728.2
Amortisation:	
At 30 June 2008	55.4
Charge for the period	36.4
At 28 June 2009	91.8
Net book value:	
At 29 June 2008	672.8
At 28 June 2009	636.4

Goodwill is being amortised over 20 years. The directors believe that this is appropriate based on a review of the expected future cash flows of the Group, that the PizzaExpress and ASK businesses are long standing operations and that the Group continues to have growth opportunities in the future.

10 Tangible fixed assets

Group	Assets under construction £m	Freehold properties £m	Short leaseholds £m	Plant fixtures IT equipment and motor vehicles £m	Total £m
Cost					
At 30 June 2008	6.4	0.1	213.4	45.7	265.6
Foreign exchange movement	0.1	–	0.6	0.2	0.9
Additions	26.5	–	11.4	10.0	47.9
Transfers	(29.9)	–	17.4	12.5	–
Disposals	–	–	(4.7)	(1.8)	(6.5)
At 28 June 2009	**3.1**	**0.1**	**238.1**	**66.6**	**307.9**
Accumulated depreciation					
At 30 June 2008	–	–	13.0	12.0	25.0
Foreign exchange movement	–	–	0.2	0.1	0.3
Charge for the period	–	–	11.4	9.2	20.6
Impairment charge	–	–	0.8	0.3	1.1
Disposals	–	–	(3.8)	(1.5)	(5.3)
At 28 June 2009	**–**	**–**	**21.6**	**20.1**	**41.7**
Net book value					
At 29 June 2008	6.4	0.1	200.4	33.7	240.6
At 28 June 2009	**3.1**	**0.1**	**216.5**	**46.5**	**266.2**

The directors have reviewed the carrying value of certain restaurants for impairment as at 28 June 2009. The carrying value of the assets in relation to those restaurants were compared to the future cash flows expected to be generated by those assets, discounted at the Group's weighted average cost of capital of 9.5%. The resulting impairment charge for the period was £1.1 million (2008: £0.6 million).

Capital expenditure contracted but not provided as at 28 June 2009 was £nil (2008: £nil), relating to new restaurants.

Company
The Company has no fixed assets.

11 Investments

	Subsidiaries £m
Cost and Net Book Value	
At 30 June 2008 and 28 June 2009	7.9

The directors believe the carrying value of the investment is supported by the underlying assets.

A list of the principal subsidiary companies is provided in note 26.

12 Stock

	Group	
	28 June 2009 £m	29 June 2008 £m
Raw materials and consumables	11.6	10.5

There is no material difference between the replacement cost and book value of stock.

The Company holds no stock.

13 Debtors

	Group		Company	
	28 June 2009 £m	29 June 2008 £m	28 June 2009 £m	29 June 2008 £m
Trade debtors	1.0	0.5	–	–
Amounts due from subsidiary undertakings	–	–	0.7	0.5
Other debtors	7.8	9.0	0.2	0.2
Corporation tax	–	1.0	–	–
Prepayments and accrued income	16.4	15.1	–	–
	25.2	25.6	0.9	0.7

All of the debtors stated above are due within one year.

Amounts owing to subsidiary undertakings are interest-free and are repayable on demand.

14 Cash at bank and in hand

	Group		Company	
	28 June 2009 £m	29 June 2008 £m	28 June 2009 £m	29 June 2008 £m
Cash	46.9	13.7	0.1	0.3
Restricted cash	1.3	1.3	–	–
Short term deposits with bank	–	29.0	–	–
	48.2	44.0	0.1	0.3

The restricted cash relates to £1.3 million (2008: £1.3 million) on deposit with The Bank of Scotland as security for Gondola Acquisitions Limited secured loan notes (see note 15).

The restricted cash and the short term deposits with banks do not meet the definition of cash as defined in FRS 1.

15 Creditors: amounts falling due within one year

	Group		Company	
	28 June 2009 £m	29 June 2008 £m	28 June 2009 £m	29 June 2008 £m
Loan notes – Secured	1.3	1.3	–	–
Amounts owing to subsidiary undertakings	–	–	1.3	1.2
Trade creditors	24.6	23.4	–	–
Other creditors	9.7	11.5	–	–
Corporation tax	3.3	–	–	–
Other taxation and social security	16.0	16.1	–	–
Accruals and deferred income	33.8	40.1	–	–
	88.7	92.4	1.3	1.2

Amounts owing to subsidiary undertakings are interest-free and are repayable on demand.

15 Creditors: amounts falling due within one year (continued)

Secured Loan Notes

On 22 December 2006 Gondola Acquisitions Limited (formerly Paternoster Acquisitions Limited) issued £28.4 million of £1 par value secured loan notes as part of the consideration paid to shareholders on the acquisition of Gondola Holdings plc. As at 28 June 2009, £1.3 million (2008: £1.3 million) of these loan notes were outstanding.

During the year £nil interest accrued (2008: £0.9 million) at 0.5% below LIBOR.

The payment of principal on the loan notes is guaranteed by Bank of Scotland plc and monies, including interest earned, totalling £1.3 million (2008: £1.3 million) were held on deposit which is included in cash at bank and in hand in the balance sheet as at 28 June 2009.

The loan notes are redeemable at par at the holder's option on any interest payment date, which is set at 31 December and 30 June in any year. Unless previously redeemed, the loan notes will be redeemed by Gondola Acquisitions Limited on 31 December 2010.

There were no costs associated with the issue of these loan notes.

16 Creditors: amounts falling due after more than one year

		Group		Company	
	Note	**28 June 2009 £m**	29 June 2008 £m	**28 June 2009 £m**	29 June 2008 £m
Bank loans – Senior Facilities	18	**540.1**	537.2	**–**	–
Bank loans – Mezzanine Facilities	18	**64.7**	62.0	**–**	–
Unsecured shareholder loan notes		**404.6**	359.0	**–**	–
Finance lease creditor		**0.5**	–	**–**	–
		1,009.9	958.2	**–**	–

Senior Debt

On 22 December 2006 the Group entered into borrowing arrangements to finance the purchase of Gondola Holdings plc.

The loans were syndicated with The Bank of Scotland plc as lead agent and carry interest at varying rates above LIBOR, interest being payable in arrears at time periods of one, three or six months as agreed in advance.

Of the £550.0 million Senior Debt, £525.0 million is repayable in full in December 2012, carrying interest at a weighted average rate of 2.625% above LIBOR. The remaining £25.0 million is repayable in full in June 2013, carrying interest at 4.25% above LIBOR.

16 Creditors: amounts falling due after more than one year (continued)

Secured Loan Notes

The initial issue costs of the senior debt totalled £17.1 million, which are being amortised over the period from drawdown of the loan to the maturity dates. At 28 June 2009, the unamortised cost was £10.0 million (2008: £12.8 million).

The senior debt is secured by way of floating charges over the assets of certain operating companies of the Group, details of which are given in note 23.

Mezzanine Debt

On 22 December 2006 the Group entered into a Mezzanine Facility agreement with The Bank of Scotland plc to borrow £60.0 million. Interest accrues at 7.75% over LIBOR.

Interest accruing at 3.75% is payable on maturity. The agreement deems that this interest is capitalised and becomes part of the principal outstanding at the end of the interest periods applying to the cash interest payments. The remaining interest, being 4.0% over LIBOR is payable in arrears over periods of one, three or six months at the option of the Group. The maturity date of the loan is December 2013.

Interest capitalised into the principal of the loan at 28 June 2009 was £4.9 million (2008: £3.5 million).

The Mezzanine debt is secured by way of floating charges over the assets of certain operating companies of the Group, details of which are given in note 23.

The initial issue costs of the mezzanine debt totalled £1.9 million, which are being amortised over the period from drawdown of the loan to the maturity dates. At 28 June 2009, the unamortised cost was £1.2 million (2008: £1.5 million).

Unsecured Shareholder Loan Notes

Gondola Finance 1 Limited, a subsidiary of the Company has in issue 296,461,166 £1 A loan notes, 6,593,341 £1 B loan notes and 509,151 £1 C loan notes at cost. The C loan notes are held by the Company.

The maturity date of the loan notes is December 2014. The loan notes accrue interest at a compound rate of 12.5% per annum. Interest capitalised into the principal of the loan notes at 28 June 2009 was £103.7 million (2008 £58.5 million).

The initial issue costs of the Shareholder Loan notes totalled £3.3 million, which are being amortised over the period from drawdown of the loan to the maturity dates. At 28 June 2009, the unamortised cost was £2.2 million (2008: £2.6 million).

17 Provisions for liabilities and charges

	Deferred taxation £m	Onerous leases £m	Total £m
At 30 June 2008	21.7	2.4	**24.1**
Movement in period	0.5	–	**0.5**
At 28 June 2009	**22.2**	**2.4**	**24.6**

The onerous lease provision represents operating leases on properties no longer in use, until the end of their leases or until the directors estimate the properties can be sublet. It has been discounted at 5% per annum.

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

As at 28 June 2009, the Group has unrecognised deferred tax assets of £1.7 million (2008: £1.7 million) arising from brought forward tax losses. The directors believe that it is more likely than not that insufficient suitable profits will arise in future years to utilise these assets.

18 Financial instruments

Policy

The Group does not use complex derivative financial instruments.

The Group has one small investment in a foreign currency denominated overseas operation and, as a result, the Group's balance sheet can be affected by movements in this country's exchange rate. This currency exposure is not material as at the date of this report. Currency exposures are reviewed regularly.

The Group had a small amount of purchases of certain goods from European suppliers during the period ended 28 June 2009 which do not exceed income received in Euros and hence there is minimal unhedged Euro exposure. The ongoing exposure to Euro purchases is minimal, however the Group's policy will continue to be to hedge any significant currency exposure.

The Group has bank borrowings at variable rates. The Group aims to minimize the effect of interest rate fluctuation, however the Group does not have a definitive stance on the balance between fixed and floating rate debt. As set out below, approximately 79.5% (2008: 79.5%) of the financial instruments carried interest at a fixed rate as at 28 June 2009.

Short term debtors and creditors

Short term debtors and creditors have been excluded from all of the following disclosures, other than the currency risk disclosures.

18 Financial instruments (continued)

Interest rate risk profile of financial liabilities

The interest rate profile of the Group's financial liabilities, after taking account of the interest rate swap contract used to manage the interest and currency profile, was as follows:

	Group		Company	
Sterling – Borrowings	**28 June 2009 £m**	29 June 2008 £m	**28 June 2009 £m**	29 June 2008 £m
Fixed rate	**813.7**	776.6	**–**	–
Floating rate	**209.4**	198.5	**–**	–
	1,023.1	975.1	**–**	–

All the Group's creditors falling due within one year (other than bank and other borrowings) are excluded from the above tables either due to the exclusion of the short term items or because they do not meet the definitions of a financial liability, such as tax balances.

The effect of the Group's interest rate swaps is to classify £407.0 million (2008: £415.0 million) of sterling borrowings in the above table as fixed rate.

Interest rate risk of financial assets

	Group		Company	
Sterling – cash at bank and in hand	**28 June 2009 £m**	29 June 2008 £m	**28 June 2009 £m**	29 June 2008 £m
Fixed rate	**–**	14.9	**–**	–
Fixed rate – restricted cash	**1.3**	1.3	**–**	–
Floating rate	**38.8**	14.1	**–**	–
No interest	**8.1**	13.7	**0.1**	0.3
	48.2	44.0	**0.1**	0.3

The Group has no financial assets, excluding short term debtors, other than sterling cash deposits, restricted cash deposits and cash in hand amounting to £48.2 million (2008: £44.0 million) which are part of the financing arrangements of the Group.

The fixed rate cash deposits in sterling were placed with banks on a three day rolling basis and earned interest in the prior year at 5.45%. No cash was held on three day deposit at 28 June 2009.

Floating rate cash earns interest based on LIBOR and is available on demand. Cash deposits earning no interest comprise cash in hand and in transit and are available on demand.

18 Financial instruments (continued)

The restricted cash deposit of £1.3 million (2008: £1.3 million) is on six-month deposit at an interest rate of 1.4% (2008: 6.17%).

Currency exposures

At 28 June 2009 the Group had Euro denominated current assets, that were not denominated in sterling, being the functional currency of the relevant Group company of £1.2 million (2008: liabilities of £0.8 million). Other than these the Group had no material net foreign currency monetary assets and liabilities that were not denominated in the functional currency of the relevant Group company, as at 28 June 2009.

Borrowing facilities

The Group had an undrawn committed revolving facility of £20.0 million at 28 June 2009 and at 29 June 2008 in respect of which all conditions precedent had been met. The facility is tied to the Senior banking facilities which are due to expire in 2012. The facility, if utilised, would carry interest at LIBOR plus 2.25%. The unused facility incurs commitment fees of 0.75%.

Maturity of financial liabilities

The secured loan notes of £1.3 million (2008: £1.3 million) are due in one year or less. Further details of their maturity dates are given in note 15.

The Senior Facilities of £550.0 (2008: £550.0 million), the Mezzanine Facility of £64.9 million (2008: £63.5 million) and the finance lease creditor of £0.5 million (2008: £nil) fall due between two and five years.

The Shareholder Loan notes of £406.8 million (2008: £361.6 million) fall due in five years or more. Further details of their maturity dates are given in note 16.

The Company has no borrowings.

Hedges

The Group's policy is to hedge a significant portion of interest rate risk using interest swaps. At 9 February 2007 the Group had committed to an interest rate swap to commence from 26 September 2007. This swap fixes the interest rate for £407.0 million (2008: £415.0 million) of the Senior Debt at a rate of 5.742% until September 2009. The swap matures in March 2011.

As at 28 June 2009, the fair value of the interest rate swap was £27.9 million, which is an unrecognised loss at period end (2008: £3.3 million gain).

In the prior year, the Group had committed to a basis swap for the total Senior Debt of £550.0 million. The basis swap hedged short term LIBOR rates and fixed the floating interest rate at a longer term rate. This matured in March 2009. As at 29 June 2008, the fair value of the basis swap was £7.6 million, which was an unrecognised loss at period end.

The Company has no unrecognised gains or losses.

19 Called up share capital

Gondola Group Limited	28 June 2009 £m	29 June 2008 £m
Authorised		
Equity		
13,695,412 ordinary A shares of £1 each	13.7	13.7
304,588 ordinary B shares of £1 each	0.3	0.3
2,000,000 ordinary C shares of £1	2.0	2.0
	16.0	16.0
Allotted, issued and fully paid		
Equity		
6,847,706 (2008: 6,847,706) ordinary A shares of £1 each	6.8	6.8
152,294 (2008: 152,294) ordinary B shares of £1 each	0.2	0.2
978,769 (2008: 978,769) ordinary C shares of £1 each	1.0	1.0
	8.0	8.0

- Ordinary A shares carry the sole voting rights and they carry the right to receive notice of meetings and rights to appoint directors. Ordinary B and C shares and Deferred Shares (see below) carry none of these rights.
- On sale, winding up or Initial Public Offering ('IPO'), if certain valuation thresholds are met the Ordinary A and B shares convert into Deferred Shares at rates defined by the Articles of Association. As Deferred Shares are not entitled to participate in distributions below £1 billion (as outlined below), Ordinary C shares have greater participation rights in the event of such conversion.
- For distributions and on winding up, the Articles of Association allow for the income and assets to be allocated equally between Ordinary A, B and C shares, to the extent that the surplus assets after all liabilities have been settled amount to £1 billion. Distributions over and above this amount are then allocated equally between Ordinary A, B, C and Deferred shares.

No share capital was issued during the period.

Notes to the financial statements

20 Reserves

Group	Profit and loss £m
At 30 June 2008	(89.2)
Loss for the financial period	(55.0)
Foreign exchange	0.6
At 28 June 2009	(143.6)

Company	Profit and loss £m
At 30 June 2008	(0.3)
Loss for the financial period	(0.1)
At 28 June 2009	(0.4)

21 Notes to cash flow statement

a) Reconciliation of operating profit to operating cash flows	52 weeks ended 28 June 2009 £m	52 weeks ended 29 June 2008 £m
Group operating profit	45.7	44.5
Depreciation and impairment of tangible fixed assets	21.7	20.2
Amortisation of goodwill	36.4	36.4
Increase in stock	(1.1)	(1.2)
Decrease/(increase) in debtors	0.3	(5.4)
(Decrease)/increase in creditors	(1.3)	10.6
Foreign exchange gains	0.2	–
Net cash inflow from operating activities	101.9	105.1

21 Notes to cash flow statement (continued)

b) Reconciliation of net cash flow to movement in net debt

	Note	52 weeks ended 28 June 2009 £m	52 weeks ended 29 June 2008 £m
Increase in cash	14	33.2	0.8
Cash inflow from movement in debt – loan notes		–	(28.3)
Cash outflow from movement in restricted cash		–	28.3
Cash inflow from movement in finance lease creditor		(0.5)	–
Cash (inflow)/outflow from movement in short term deposit at bank	14	(29.0)	7.3
Other non cash changes		(45.0)	(41.2)
Change in net debt resulting from cash flows		(41.3)	(33.1)
Net debt at beginning of period		(929.0)	(895.9)
Net debt at end of period		(970.3)	(929.0)

Other non-cash changes comprise capitalised interest, movement in accrued interest and amortisation of loan issue costs.

c) Reconciliation of net cash flow to movement in net debt

	At 30 June 2008 £m	Cash flow £m	Non-cash changes £m	At 28 June 2009 £m
Cash at bank and in hand	13.7	33.2	–	46.9
Cash on short term deposit	29.0	(29.0)	–	–
Restricted cash	1.3	–	–	1.3
Debt due within one year – Loan notes	(1.3)	–	–	(1.3)
Bank debt and other borrowings	(971.7)	–	(45.0)	(1,016.7)
Debt due in more than one year – Finance lease	–	–	(0.5)	(0.5)
Total net debt	(929.0)	4.2	(45.5)	(970.3)

The figures for restricted cash and cash on short term deposit are included in the figure for cash on the balance sheet.

Other non-cash changes comprise capitalised interest, movement in accrued interest and amortisation of loan issue costs.

22 Operating lease commitments

The Group has annual commitments under non-cancellable operating leases which expire as follows:

	28 June 2009 £m	29 June 2008 £m
Land and buildings		
Within one year	0.8	0.9
In the second to fifth years inclusive	2.1	1.9
Over five years	43.8	39.1
	46.7	41.9
Other		
Within one year	0.1	0.1
In the second to fifth years inclusive	0.2	0.2
	0.3	0.3

The financial commitments for operating lease amounts payable calculated as a percentage of turnover have been based on the minimum payment that is required under the terms of the relevant lease. As a result the amounts charged to the profit and loss account are different to the financial commitment at the year-end.

23 Contingent liabilities

On 22 December 2006, certain of the Company's subsidiaries (together the 'Senior and Mezzanine Guarantors') became guarantors to a Senior Credit Facilities Agreement and a Mezzanine Facility Agreement (together the 'Agreements') between Gondola Acquisitions Limited, Gondola Finance 2 Limited and The Governor and Company of the Bank of Scotland.

The amounts outstanding at the balance sheet dates for these loans were £555.9 million (2008: £561.1 million) under the Senior Facilities and £67.5 million (2008: £65.9 million) under the Mezzanine facility, including accrued interest.

Each Senior and Mezzanine Guarantor irrevocably and unconditionally jointly and severally:

- Guarantees to each finance party the punctual performance of each borrower, guarantor and charger (each an obligor) of all such obligor's obligations under the Agreements;
- Undertakes with each finance party that whenever an obligor does not pay any amount when due under or in connection with any Senior Finance Document, that the guarantor shall immediately on demand pay that amount as if it was the principal obligor; and
- Indemnifies each finance party immediately on demand against any cost, loss or liability suffered by that finance party as a result of the guarantee being unenforceable, invalid or illegal.

The same companies have also provided security for all indebtedness, liabilities and obligations of any member of the Group under the Agreements. The security comprises floating charges over all assets and undertakings of the Senior and Mezzanine Guarantors.

24 Related party transactions

No separate disclosure has been made of transactions and balances between companies in the Group that have been eliminated in the preparation of these financial reports, as is permitted by FRS 8 'Related Party transactions'. All other transactions and balances with related parties of the Group have been detailed below.

Transactions with Cinven

Expenses totalling £0.3 million (2008: £0.3 million) have been reimbursed to Cinven Limited in respect of services provided to the Group (see note 6).

Gondola Holdings Partnership Plan loans to and from directors

Under the terms of the Gondola Holdings Partnership Plan scheme, loans were granted to participants to purchase C ordinary shares in Gondola Holdings Limited. These loans bear interest at 5% and are repayable on demand. The following loans were owed by directors and were outstanding as at 28 June 2009:

	28 June 2009 £	29 June 2008 £
H Smyth	319,219	304,018

24 Related party transactions (continued)

Gondola Finance 1 Limited A Loan notes

On acquisition of Gondola Holdings plc, the Group introduced the 'Gondola Investment Plan' for eligible employees and directors, in addition to the principal investment made by and on behalf of the Cinven Funds. Shareholders and directors purchased Gondola Finance 1 A Loan notes at cost. As detailed in note 16, interest accrues at 12.5% and is capitalised into the principal on an annual basis. The principal holdings of related parties at cost were:

	28 June 2009 £	29 June 2008 £
CB Luxembourg V S.a.r.l., a company owned by the Cinven Funds	**276,912,699**	276,912,699

Y Chotai, P Catterall and C Miller-Jones, directors of the Company, have a beneficial interest in CB Luxembourg V S.a.r.l., such that their indirect interests in Gondola Finance 1 A Loan notes are as follows:

	28 June 2009 £	29 June 2008 £
Y Chotai	**136,320**	136,320
P Catterall	**102,240**	102,240
C Miller-Jones	**1,200**	1,200

24 Related party transactions (continued)

Gondola Finance 1 Limited B Loan notes

On acquisition of Gondola Holdings plc, the Group introduced the 'Gondola Investment Plan' for eligible employees and directors, in addition to the principal investment made by and on behalf of the Cinven Funds. Shareholders and directors purchased Gondola Finance 1 B Loan notes at cost. As detailed in note 16, interest accrues at 12.5% and is capitalised into the principal on an annual basis. The principal holdings of related parties at cost were:

	28 June 2009 £	29 June 2008 £
The Cinven Funds	**1,466,135**	1,466,135
H Smyth	**2,658,591**	2,658,591
C Woodhouse	**166,162**	166,162
N Carter	**676,211**	676,211

Y Chotai, P Catterall and C Miller-Jones, directors of the Company, have a beneficial interest in Fourth Cinven Co-Investment Partnership, one of the Cinven Funds, such that their indirect interests in Gondola Finance 1 B Loan notes at cost are as follows:

	28 June 2009 £	29 June 2008 £
Y Chotai	**627**	627
P Catterall	**470**	470
C Miller-Jones	**6**	6

25 Ultimate parent undertakings

At 28 June 2009 the Group's immediate and ultimate parent undertakings were Fourth Cinven Fund (No.1) LP, Fourth Cinven Fund (No.2) LP, Fourth Cinven Fund (No.3 – VCOC) LP, Fourth Cinven Fund (No.4) LP, Fourth Cinven Fund (UBTI) LP, Fourth Cinven Fund Co-Investment Partnership, Fourth Cinven (MACIF) Partnership and Fourth Cinven Fund FCPR (together the 'Cinven Funds'), being funds managed and advised by Cinven Limited, a company incorporated under the laws of England and Wales.

Accordingly, the directors consider the Company's ultimate controlling party to be Cinven Limited, the manager and advisor to the Cinven Funds.

Cinven is a leading European buyout firm that acquires companies that require an equity investment of €100 million or more. Cinven was founded in 1977 and has been responsible for many buyout industry 'firsts', including the first €1 billion – plus buyouts in France, the Netherlands, Spain and the UK.

Cinven focuses on six sectors across Europe: business services; consumer; financial services; healthcare; industrials; and TMT (technology, media and telecoms) and has offices in London, Paris, Frankfurt, Milan and Hong Kong.

Cinven acquires successful, high-quality companies, working closely with them to help them grow and develop, using its proven value creation strategies. Typically, Cinven holds its investments for between three and five years and it takes a responsible approach towards its portfolio companies, their employees, suppliers and local communities, the environment and society as a whole.

26 Principal subsidiary undertakings

	Principal activity	Country of incorporation	Proportion of ordinary voting shares held and interest in allotted capital
PizzaExpress Limited	Holding Company	UK	100%
PizzaExpress (Restaurants) Limited	Restaurants	UK	100%
Bookcash Trading Limited	Restaurants	UK	100%
PizzaExpress (Wholesale) Limited	Distribution	UK	100%
Agenbite Limited	Restaurants	Ireland	100%
PizzaExpress Merchandising Limited	Branded Sales	UK	100%
PizzaExpress (Jersey) Limited	Restaurants	Jersey	100%
Al Rollo Limited	Restaurants	UK	100%
ASK Central Limited	Holding Company	UK	100%
ASK Restaurants Limited	Restaurants	UK	100%
Gondola Finance 1 Limited	Holding Company	UK	100%
Gondola Finance 2 Limited	Holding Company	UK	100%
Gondola Acquisitions Limited	Holding Company	UK	100%
Gondola Holdings Limited	Holding Company	UK	100%
Gondola Investments Limited	Holding Company	UK	100%
Gondola Finance Limited	Holding Company	UK	100%
Riposte Limited	Holding Company	UK	100%

Corporate directory

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N Carter
P Catterall
Y Chotai
C Miller-Jones
H Smyth
C Woodhouse

Secretary
N Carter

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Company Number
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