GONDOLA GROUP LIMITED

Annual Report 2013

PIZZA EXPRESS | Zizzi Ristorante | ASK ITALIAN | BYRON | KETTNER'S 29 ROMILLY ST SOHO, LONDON

Outstanding brands

Gondola Group is the market leader in the UK casual dining sector, operating PizzaExpress, Zizzi, ASK Italian, Milano (PizzaExpress' brand in Ireland), Byron and Kettner's. The Group employs approximately 15,000 people, serving over 75 million meals a year (44 million in restaurants and a further 31 million retail) in the UK and Ireland alone. It has an estate in the UK and Ireland of almost 700 restaurants, with an expanding global presence now exceeding 750 restaurants in 14 territories.

Gondola's restaurants are positioned to offer a memorable eating out experience and great value for money, with typical spend per head (including value added tax) ranging from £15 to £19. Gondola's distinct brands have broad appeal and lend themselves to different occasions.

Its estate of restaurants trade successfully in a variety of location types, from high street and local neighbourhoods, to shopping centres and retail and leisure parks.

www.pizzaexpress.com

www.zizzi.co.uk

www.askitalian.co.uk

www.byronhamburgers.com

www.kettners.com

Another year of progress

Financial summary

Total sales

£604.2m +4.2%[1]

Restaurant sales

£590.2m +4.2%[1]

EBITDA

£112.2m +6.0%[1,4]

Net operating cash flow

£114.1m +24.6%

Business highlights

21

a total of 21 new restaurants, continuing expansion across our brands[2]

10

10 new Byron sites, including successful openings outside London

Overseas

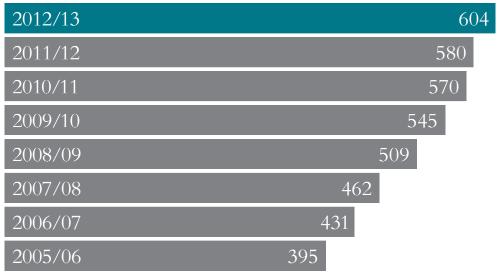
presence in Shanghai with five restaurants; total franchised restaurants up 20% to 55 sites in 11 territories and India joint venture successfully launched

£22m

we repaid a further £22m of our debt, reducing our leverage to below 4.3x EBITDA

Trading history

Total sales *(comparable 52 week basis)*[3]
6.3% compound annual growth in sales in the last seven years



EBITDA *(comparable 52 week basis)*[3,4]
3.1% compound annual growth in EBITDA in the last seven years

[1] Comparable 52 week basis for 2011/12. Total Sales, Restaurant Sales and EBITDA growth on an unadjusted 53 week basis for 2011/12 was +2.1%, +2.2% and +3.8% respectively
[2] Excluding a further 10 openings which were conversions between brands
[3] References to 2005/06 and 2006/07 results or percentage changes derived from them are pro forma as these figures include trading which precedes the change of ownership of the business and its structure on 22 December 2006
[4] EBITDA is defined as detailed on page 23.
The 53 week trading result for 2011/12 was £108.1m

Our brands

PizzaExpress

With its roots in Soho, this iconic brand was founded by a passionate foodie in 1965, and has been pioneering pizza on the high street ever since.

Restaurants	**477 globally** **421 UK and Ireland**
New this year	**13 UK** **11 international**
Employees	**9,300**
Average spend per head	**£15**

To read more about PizzaExpress please go to pages 5-9

Zizzi

Zizzi is a stylish and individual brand, and its innovative approach leads the way in casual dining.

Restaurants	**130**
New this year	**7**
Employees	**2,600**
Average spend per head	**£19**

To read more about Zizzi restaurants please go to pages 10-13

ASK Italian

Recently transformed with a fresh new look and outstanding Italian menu, ASK Italian is on a journey to bring Italy to life in all its restaurants.

Restaurants	**110**
New this year	**1**
Employees	**2,200**
Average spend per head	**£18**

To read more about ASK Italian please go to pages 14-17

Byron

The emerging brand that is fanatical about its simple, superb quality hamburgers, 'the way they should be'.

Restaurants	**34**
New this year	**10**
Employees	**800**
Average spend per head	**£17**

To read more about Byron please go to pages 18-20

Kettner's

Home of Drinking, Dining and Revelry in Soho since 1867.

Restaurants	**1**
New this year	**N/A**
Employees	**100**
Average spend per head	**£31**

To read more about Kettner's please go to pages 21-22

A strong performance against a stable and improving economic backdrop

I am pleased to report that whilst pressure on consumer discretionary spending remains, this year has seen a relatively more stable economic backdrop against which we have produced a strong performance.

Customers still want to dine out and enjoy themselves, and we have kept our focus on delivering a consistently great customer experience, combined with a strong sense of value, across all of our market-leading brands.

It was an important break-out year for Byron, our rapidly growing burger business. Having already firmly established itself in London, this year saw the brand expand into another four key locations, in Manchester, Liverpool, Oxford and Cambridge. This takes the total number of Byron restaurants to 34 – a substantial business with absolute brand clarity and, an ever-growing following with really ambitious plans for the future.

Throughout Gondola, growing our estate remains central to our strategy. During the year we opened a further 21 restaurants in the UK, and added to our international estate with the launch of a joint venture in India and the opening of another ten restaurants with our partners in Asia and the Middle East. We expect to continue with at least this pace of roll-out as part of our long term growth plans in the UK and overseas.

PizzaExpress' franchise partners in the Middle East and Asia continued to see solid results, with a number of markets achieving impressive levels of sales growth. We also started to implement our longer term strategy of identifying key markets in which we want to invest directly. India is the first of these where, during the year, we successfully opened our first restaurant in Mumbai. We have a pipeline of further sites developing in India, and we are putting plans into place to launch the brand in other attractive geographies. The widespread popularity of PizzaExpress is underscored by the fact that four of the top twenty restaurants globally, ranked by sales volume, are in Asia.

We continued to invest in the future of our UK estate, not only by growing space with new openings, but also through our programme of brand transformations and refurbishments. The coming financial year will see continued investment in our UK portfolio.

Our promotional strategy continues to develop in its sophistication and this, together with modest improvements in trading conditions, has allowed us to ease back on the extent of promotional activity, allowing us to use it in a more focused way, whether geographically or across the pattern of weekly trading.

Our belief is that there are early signs of an improvement in consumer confidence, although we remain cautious until this is shown to be more robust and consistent. Meanwhile, we remain confident in the strength of all of our brands and excited by the opportunities that lie ahead.

To continue our successful journey, we rely on the tremendous support of our 15,000 team members who each play a vital role in delivering excellent service to our customers every day, and I would like to thank them for all of their efforts.

Chris Woodhouse
Chairman

Our strategy

Gondola has always maintained a simple strategy to:

Deliver

Deliver growth in profits from the existing estate
– we focus on 'restaurant basics' to deliver quality and value to our customers
– we are using increasingly sophisticated marketing techniques to engage with our customers
– we proactively manage our cost base and working capital to maximise margins and cash flow

Expand

Expand the estate through the roll-out of our key brands
– we have maintained strong momentum in our openings programme despite the economic backdrop

Develop

Develop other growth opportunities, including new concepts and other revenue streams
– the emerging Byron business is a great example
– we are also starting to expand PizzaExpress' international business

PizzaExpress

the nation's favourite, pioneering pizza on the high street since 1965

www.pizzaexpress.com

13

new openings during the year

Pizza in Style

PizzaExpress has performed strongly during the last year, and has made excellent progress against its strategic objectives.

PizzaExpress is one of the leading brands in the international casual dining sector and is today stronger and more accessible than ever, with an estate of 477 restaurants globally; a successful and well-established retail presence; and significant opportunities for further growth both in the UK and internationally. The company is driving success through its focus on delivering memorable customer experiences through great food, the best people and a wide range of stylish locations.

A major development during the year was the appointment of Richard Hodgson as Chief Executive of PizzaExpress. Richard brings with him exceptional experience in the retail and food industry and his deep understanding of brand, quality and value will be hugely beneficial to PizzaExpress' future success.

From Soho to Shanghai
With 477 restaurants now in operation globally, comprising of 421 sites in the UK and Ireland and an international estate of 56 sites, the PizzaExpress brand has shown its ability to travel and create value abroad.

The international estate is delivering strong growth and this momentum continues to build with a further 200 international site openings being planned over the medium term. For example, our partnership in Hong Kong and Shanghai has proven so successful that we will be expanding into Beijing, where we expect to see the same quality of growth we have delivered with the current estate of 15 restaurants across China.

A recent addition to PizzaExpress' international portfolio was our first restaurant in India, which opened in Colaba, Mumbai, in December 2012. A joint venture between PizzaExpress and the Bharti Family Office, this restaurant is further evidence of the brand's measured and targeted strategy for international growth. We expect at least another three openings in India during the current financial year, as well as the launch of our first restaurant in Saudi Arabia.

Growing space
Growing our estate remains central to our long term strategy. During the year we opened 24 new restaurants; consisting of 13 new sites in the UK, six in Asia and five in the Middle East. We have a strong pipeline in place of further site openings and, expect to open more than 400 PizzaExpress restaurants over the medium term, with half of these expected to be in the UK. During the year we also continued our renovation programme which included the refurbishment of our iconic Dean Street restaurant in Soho. Our transformation programme in the UK will continue at pace in the coming year.

Design remains central to our ethos of creating beautiful restaurants, each taking their design inspiration from local stories. For example, one of our newest restaurants, in Glasgow Fort, features artwork inspired by the beautiful, Grade A-listed Provan Hall House in Auchinlea Park – one of the oldest buildings in the city, dating back to the 15th Century.

"The PizzaExpress brand has shown its ability to travel and create value abroad, and we have 200 international openings planned over the medium term."

www.pizzaexpress.com

Busy in the kitchen
Serving exceptional food remains at the heart of what we do.

In April we launched our first gluten-free menu, catering for diners who struggle to eat out due to dietary restrictions, with a choice of gluten-free pizza bases, starters, desserts, options for children and even a gluten-free beer. Customer feedback has been hugely positive and the move has allowed us to reach a broader audience by providing greater choice, with no compromise on quality.

Eating out and eating healthily can all be part of the same experience and this year we continued to build on our commitment to making healthy eating easier and appetizing with the introduction of our first Leggera salad. The new 295 calorie Leggera Superfood Salad sits alongside the ever-popular Leggera pizzas, which are all 500 calories or less.

We refreshed our offer for kids with the relaunch of our Piccolo menu, with guidance from the Children's Food Trust, the authority on eating habits among children. Through a number of healthier options, we are helping families to make better choices with the reduction of salt, fat and calories. We have launched 'Create Your Own' so children can choose more, less or none of any ingredient and introduced gluten-free dishes for children as well as adults.

During the year we were very pleased to have been awarded a Mumsnet Family Friendly Award.

PizzaExpress put Calzone on the menu just in time for Christmas. Our take on the famous, folded pizza was created by our master pizzaiolo (head pizza chef), Antenor Siqueira, and has been an overnight success.

Restaurants to retail
In a fiercely competitive market, the PizzaExpress brand has successfully diversified its offer to deliver a retail presence. The range – which is now over 30 products strong – goes from strength to strength, with supermarket sales of pizza totalling over 31 million a year. Outside of pizza, we are the number one selling Light salad dressing and have one of the biggest selling dining gift cards in the market.

Supporting our communities
During the year we teamed up with the Children's Food Trust and Blur bassist, foodie and dad of five, Alex James, to inspire a million kids to get cooking over the next 12 months.

We have been passionate about getting kids cooking since the late 90s when a teacher called up and asked if she could bring her class into one of our restaurants to learn how to cook. Since then, PizzaExpress has been running free School Visits for primary schools to get kids up and down the country into its kitchens and cooking.

As part of our partnership, 25p from the sale of every Fiorentina pizza goes to the Children's Food Trust to help get kids cooking.

For a second year running we donated funds to Lawrence Dallaglio and Freddie Flintoff's Cycle Slam, raising over £340,000 for cancer charities and child rehabilitation and physiotherapy units throughout the UK. We also continued our support of the Veneziana Fund, which gives 50% to the Venice in Peril charity, and the remaining 50% to the restoration, repair and maintenance of buildings constructed in the UK prior to 1750.

In each restaurant, our teams focused on changing everyday habits in order to help the bigger picture of looking after the environment. We also have various initiatives in hand to address energy saving and recycling, including installing smart meters into every restaurant so that we can reduce energy usage.

"During the year we were very pleased to have been awarded a Mumsnet Family Friendly Award."

www.pizzaexpress.com

Our people
Our aim is that every team member fulfils their individual potential and that we offer each customer a high-quality experience every time they visit one of our restaurants. We continued to make significant investments in the recruitment, training and development of our people at all levels across the business.

Our focus on training and developing individuals who are passionate about the brand and our customers remains key, which has helped us maintain our industry leading retention figures.

Strong brand health
Our brand is one of our strongest assets and we continued to build it through digital, social media and external communications. In June we launched 'Love Your Summer', an innovative brand campaign that drove frequency with customers by offering great things to enjoy over the summer, including art, music, film and of course, food. PizzaExpress retained its number one position on YouGov's Brand Index for the Eating and Drinking sector for another consecutive year (December 2012). The Index measures overall brand health taking an average of six indicators: general impression, quality, value, satisfaction, advocacy and corporate reputation. PizzaExpress was also named the favourite restaurant brand among 18-24 year olds in the Youth 100 poll.

Looking ahead
As the nation's favourite destination for almost 50 years, the PizzaExpress brand is in strong health. With 477 restaurants globally and a well-established retail presence, the business has been successful in bringing great customer experiences to an ever wider audience. PizzaExpress' most exciting days remain ahead as we continue to accelerate everything we're doing in the UK, overseas and across all channels.

"Our brand is one of our strongest assets and we continued to build it through digital, social media and external communications."

www.pizzaexpress.com

Zizzi

Individually Italian

www.zizzi.co.uk

130

restaurants across the UK

Individually Italian, loved by customers and growing fast

Zizzi once again delivered a strong and sustained improvement in performance this year, further building on the final phases of its major transformation programme which has refocused the business in an increasingly competitive trading environment.

The scale, scope, and pace of the brand repositioning programme, which has included major changes to all aspects of the customer offer, including refurbishment of 75% of the estate to the updated brand style, has been an enormous task but we are delighted with the results and expect to have fully completed the final site transformations during the coming financial year.

As a result of this highly successful transformation programme, Zizzi is now a focused business with a highly compelling customer proposition, which is well invested and performing very strongly.

A modern estate that is growing
Whilst substantially completing our aim of modernising Zizzi, we have also been continuing with our roll out strategy.

During the year we opened seven new restaurants in key locations across the UK, including the Brewery Square development in Dorchester, Mermaid Quay in Cardiff and high street locations in Cambridge, Watford and Worcester. In Scotland, Zizzi has opened an iconic flagship site at Glasgow's Royal Exchange Square – a beautiful Grade II listed building, with a standalone bar – as well as a brand new site just off the Royal Mile in Edinburgh.

In addition we have a strong pipeline of new openings over the coming year.

During the year, seven sites were fully transformed in line with our distinct and evolving design DNA, with several featuring stunning designs created by our Fresh Talent artists.

Brand strength
The Zizzi brand is now stronger than ever, with a growing reputation as a leader in the casual dining sector. The Morar 'Big Restaurant Survey 2013' reported an increase in brand awareness, buzz and familiarity. External recognition includes an award from Healthy Food Eating Out – Best for Special Diets.

Putting innovation on the menu
An innovative, new and more focused menu packed with bold, fresh flavours, was introduced this year, marking a step change in Zizzi's approach to the evolving tastes of consumers.

Alongside much loved favourites such as the rustica pizzas and traditional pasta dishes are the shareable Cicchetti platter and Rigatoni Melanzane as well as the Insalata di Pollo and 'Individually Italian Carbonara', which is made in the classic Italian way.

The Zizzi menu also has a continued focus on choice and healthy eating with the introduction of new Supersalads and lighter pizza options. Seasonal specials menus allow for regular innovation and the set lunch menu has increased customer interest by providing cost effective, lunch-friendly options. The new menu has been designed to act as a platform for on-going innovation over the coming years.

We're proud to offer the best sparkling wine available. Our vintage Prosecco, Millesimato, has recently won the International Wine and Spirit Competition's (IWSC) Gold Outstanding award, which is the highest recognition the competition awards.

Artwork from budding creatives, discovered through our Fresh Talent Art programme, features on the new menus; this worthwhile initiative provides young people with a platform for their creativity through our restaurants.

"Zizzi is a focused business with a highly compelling customer proposition, which is well invested and performing very strongly."

www.zizzi.co.uk

Fresh and talented collaborations
Zizzi remains committed to helping young people by providing opportunities in our restaurants for both the naturally creative and for those that are less fortunate, through our partnership with The Prince's Trust.

Our vehicle to help young people has been our Fresh Talent initiative which has gone from strength to strength since its launch in 2009 and today provides opportunities for talented individuals across all disciplines – art, textiles, ceramics, food innovation and even music through Zizzi Sessions.

To drive engagement we teamed up with chef and TV presenter Gizzi Erskine who became the first face of our Fresh Talent mentorship initiative. Gizzi worked closely with us to find a talented young chef and create an apprenticeship opportunity with Zizzi. Gizzi and the Zizzi panel selected Joe Gray, who created three courses available at Zizzi for two months, raising funds for The Prince's Trust via a donation for each dish sold. This was followed by a collaboration by critically acclaimed artist Natasha Law, who designed a limited edition plate for Zizzi and hand-picked a talented young artist, Helen Turner, who gained the opportunity of mentorship from Natasha and the chance to showcase her work in Zizzi nationwide.

The team
People continue to be at the heart of Zizzi and harnessing talent from within the business remains a key focus. The 'Cucina' programme, which allows our head Chefs to develop dishes with the potential to make it on to the Zizzi menu has been hugely successful and continues for a third year. A Head Chef Academy to nurture the talent within our kitchens is also now under development.

A new era for customer targeting
The recent completion of a new enhanced CRM programme gives us the opportunity to drive sales where we need to, and helps us attract new customers more effectively. Tactical partnerships allow us to reach new audiences and grow our customer database.

Looking ahead
The coming year will see the completion of the ambitious design transformation of the Zizzi estate. The business is now stronger than ever, with an updated brand, a refurbished estate and an innovative menu. These qualities provide a firm base for future growth, leveraging Zizzi's choice of Italian classics, stylish restaurants and warm, friendly service.

"An innovative, new and more focused menu packed with bold, fresh flavours, was introduced this year."

www.zizzi.co.uk

ASK Italian

fresh, bold, authentic Italian

www.askitalian.co.uk

25

newly refurbished sites

A year of significant progress

It has been a year of significant progress in the ASK Italian journey, with the business continuing to make good headway in establishing its 'Italian Lovers' vision where customers can indulge in delicious Italian food served in beautifully designed surroundings.

Applying a similar approach to re-positioning and evolving the brand as that which delivered success for Zizzi, we are making excellent progress in establishing a more strongly differentiated customer offer for ASK Italian.

To further capitalise on the strong progress we have made in re-positioning the ASK Italian brand, we undertook a major one-off review of the entire estate to focus on the restaurants which will continue to perform most successfully under the new ASK Italian model. Consequently, some sites were disposed of and others, with appropriate characteristics, were converted to alternative brands within the Gondola Group (a process which has also been very successful).

We believe that ASK Italian now has a more sustainable platform for medium and long-term performance. With a more focused estate and on-going investment programme, we are confident that ASK Italian will continue to strengthen its competitive position and deliver growth.

Our restaurants

ASK Italian's estate has been further strengthened this year through the refurbishment of an additional 25 sites to incorporate the brand's distinctive new look inspired by bold, fresh Milanese design coupled with warm foodie touches. Feedback has been very positive, with customers particularly commenting on the quality food, the knowledgeable and caring service provided by our teams, as well as the 'Mediterranean holiday' feeling that the new design inspires. Our new flagship site at Bluewater represents the best realisation of our brand vision and its market leading design has been shortlisted for the 2013 Restaurant and Bar Design awards.

Our new menu, inspired by Theo Randall

Since launching our ASK Italian vision three years ago, we've introduced a brand new menu using quality, fresh ingredients which reflect our passion for authentic Italian food. In April we added a number of new dishes inspired both by our trips to Italy and by the expertise of renowned chef Theo Randall. Panzerottini, which are little baked dough balls, were one of the most successful additions to the menu and, to drive engagement, we asked customers to vote for their favourite variety – Cheese & Chilli or Pancetta – via social media. Other successful additions to the menu included Pork Belly Porchetta, Ravioli di Porcini con Spinaci and Salsiccia Prima Pizza made with fiery n'duja sausage from Calabria.
We also broadened our customer appeal through the introduction of our new gluten-free menu which received the official No Gluten Containing Ingredients (NGCI) accreditation and caters for those with dietary restrictions who have traditionally found it difficult to eat out.
Further menu innovations included our sharing platters and our half pasta and salad portions, for a lighter alternative.

We added two new premium wines to our all Italian wine list – an Italian Sauvignon Blanc from Friuli and a Montepulciano Riserva.

Driving awareness and reappraisal of ASK Italian

Our communications programme continues to generate heightened awareness of ASK Italian, both nationally and locally. We timed the announcement of our Spring menu collaboration with Theo Randall to coincide with the launch of his BBC2 programme, The Chef's Protégé. To highlight the work of our talented chefs, we launched a competition called 'Primo Chef' which asked customers to vote for their favourite local ASK Italian chef via Facebook. The winner, Rafa from Colchester, was crowned by Theo Randall in a closely fought finale at our Islington restaurant in July.

"The brand reflects the 'Italian Lovers' vision where customers can indulge in delicious Italian food served in beautifully designed surroundings."

www.askitalian.co.uk

At Easter we generated significant media interest when we raffled beautiful traditional Italian Easter eggs in each of our restaurants, with proceeds going to our charity partner, Great Ormond Street Hospital Children's Charity (GOSHCC).

Commitment to charity
We re-launched our partnership with GOSHCC with a goal to raise £1m over the next 3-4 years. We've already made considerable progress towards our target, with activities including customer donations restaurant events.

We are also very proud of the ASK Italian cookbook which launched in November, and features dishes from the ASK Italian kitchens as well as recipes from some of the teams and experts we work closely with, including Theo Randall and food writer Carla Capalbo (a journalist and expert on Italian food and culture). The recipe book is sold in restaurants and is also available in bookshops and online; we have sold over 14,000 with all profits going to GOSHCC.

Since the end of the financial year, we have completed the 'ASK Italian Grand Tour', a fun, round-the-country fundraising event; the tour visited every ASK Italian restaurant, celebrating our love of food along the way, to help raise funds for the charity.

Investing in our people
We have seen our self-driven but supported learning framework, the ASK Italian Journey, become embedded within the business. The Journey provides information around the responsibilities, knowledge and skills required for every role and a clear career path so that individuals can drive their own training and development.

The impact of the Journey has been tangible internally as well as externally, with a significant reduction in labour turnover. The ASK Italian Journey was recently awarded the 2013 Chartered Institute of Personnel and Development (CIPD) award for Organisational Learning.

We continue to invest in the development of our General Managers, and this year saw the first crop of graduates to complete our Avanti Leadership Programme. The second programme is now underway.

Our unique Italian Education Programme continues to bring the passion of Italy alive through experiential and engaging training for team members. As part of the programme we also take several of our teams to Italy to experience the food and culture for themselves. This year we hosted trips to visit several of our long standing Italian suppliers, including the Greccis who make our tomato sauce in Emilia Romagna, the Espositos who make our extra virgin olive oil in Puglia as well as our new pasta supplier in Campania.

Looking ahead
Following the success we have achieved this year in re-positioning the ASK Italian brand and estate, the future is very encouraging. We have a proposition that is compelling, a look and feel that resonates with customers and a brand that is distinct from anyone else on the high street. We are confident that the continuing investment being made in the refurbishment of our restaurants will help build on the progress we have already made and yield substantial long term benefits. We look forward to ASK Italian's continued growth as more people discover and enjoy the quality Italian food, natural friendly service and uplifting environments that the brand is becoming known for.

"Following the success we have achieved this year in re-positioning the ASK Italian brand and estate, the future is very encouraging."

www.askitalian.co.uk

BYRON

the way a hamburger restaurant should be

www.byronhamburgers.com

5

years of significant progress

Building an iconic restaurant brand

Five years old
This year saw Byron celebrate its fifth birthday. In 2007, our journey began with two clear yet simple aims; to bring the proper hamburgers we had enjoyed in the US to London, and to create a different kind of restaurant brand which set new standards for food quality, service and customer experience. Five years later, Byron has blossomed from a start up to a proven business with over 900 team members serving 60,000 proper hamburgers every week from 34 beautiful, individually designed restaurants.

The success of the business gives us real confidence as we embark on the next stage in our mission to create a truly iconic restaurant brand.

First steps beyond London
We opened 10 new restaurants in the period, driven by our confidence in the Byron proposition as well as investment in the right infrastructure to support growth. In addition to increasing our London presence, we also executed the first stage of our out-of-town strategy with new openings in Oxford, Cambridge, Manchester and Liverpool, all of which performed significantly ahead of expectations. Moving forward we expect to expand at a similar or more ambitious rate, without compromising our ability to build a world class restaurant business.

An adored and respected brand
We have built a business of genuine soul and personality, underpinned by our values of simplicity, quality and authenticity. All of our activity is focused on raising awareness and developing the brand, telling our unique and compelling story, whether through restaurant experience, design, menu innovation, press activity, restaurant launch marketing or brand partnerships.

This year we ran several hamburger specials, including the Californian (a summer special with avocado and pickled red onion), the Triple Cheesemas (an indulgent festive burger) and the Roquefort (a classic blue cheese burger) all of which proved successful in driving participation and word of mouth. In honour of our five year anniversary, we also added our most popular special, the Chilli Queen (a Silver Jubilee special), as a permanent fixture on the main menu.

Our pioneering commitment to craft beer continued with two new additions during the year, including an exclusive listing for the cult classic Racer 5 IPA from San Francisco. We also developed an own label unfiltered lager with Camden Town Brewery (to complement our existing Byron Pale Ale) which quickly became a top seller.

We continued our support of moustache-growing charity Movember for a third year, giving away over 11,000 hamburgers to fundraisers, running a 'Mo Burger' special and raising £60,000, taking the cumulative total raised for the charity to £120,000 since 2010.

Awards won during the year included R200 Best Family Restaurant Chain and Peach Brand Extension for our mobile burger unit (The Van).

Developing our team of hamburger obsessives
Byron is renowned for its distinct culture, based around sunny smiles, high standards and a diverse range of engaging personalities, all focused on doing things 'properly'. Our commitment was recognised by inclusion in The Sunday Times 100 Best Companies To Work For 2013. During the year we also introduced a Senior General Manager Programme to identify and develop talent from restaurant to operations, as well as a business coaching programme. We invested in central infrastructure to support growth with the recruitment of a Property Director and dedicated finance team.

Looking ahead
As our business continues to grow, we will inevitably face fresh challenges which we embrace wholeheartedly. Our clear vision, supported by our relentless focus on customers, teams and operational excellence will form the backbone of our future success as we convert the UK into a nation of 'proper hamburger' lovers. The future for Byron has never been brighter.

"We executed the first stage of our out-of-town strategy with four new openings, all of which performed significantly ahead of expectations."

www.byronhamburgers.com

Kettner's

a home of Drinking, Dining and Revelry in Soho since 1867

www.kettners.com

Drinking, Dining & Revelry since 1867

Glamour in the heart of Soho
Kettner's enjoyed a successful year in all areas; having been sympathetically restored this historic Baroque landmark remains firmly established as a glamorous destination for Drinking, Dining and Revelry in Soho.

The Grade II building has a brand new management team in place that has helped inject a fresh lease of life into this legendary Soho venue. Kettner's today boasts a Brasserie, Cocktail and Champagne Bar and seven Private Rooms.

The new cocktail list has been the subject of extensive tasting and debate, and is driving sales and attracting a new audience. Kettner's is still one of London's best destinations for champagne lovers – with an extensive list of over one hundred champagnes.

Staging events
The variety of rooms and spaces available at Kettner's has broad appeal and has attracted corporate functions for media, beauty and professional services companies, together with private parties and wedding receptions.

Key high profile events this year have included receptions for Universal Music, LK Bennett, Claire's Accessories as well as the launch party for the film, 'I Give It a Year', starring Rose Byrne. Day delegate packages at Kettner's now rival that of local hotels and the venue's success in hosting a wide variety of events, to suit all budgets, is encouraging more repeat business.

Strong partnerships with West End theatres in both meal packages and press coverage with 'Private Lives', starring Toby Stephens and Anna Chancellor, and 'Sweet Bird of Youth', starring Kim Cattrall, have been particularly beneficial, as well as increased sales activity with PAs and surrounding businesses.

Held quarterly, the 'Herr Kettner's Kabaret' has been an outstanding success, with sellout events providing us with a credibly cool reputation on the London scene, which has also helped drive weekend business. The ticketed event takes its inspiration from the beautiful decadence of 1920s Weimer Germany and features cabaret entertainment, burlesque, an Absinthe Lounge and live vintage band, evoking the spirit of 'Drinking, Dining and Revelry' that the Kettner's brand is synonymous with.

We launched a special weekly Gin, Fizz and Jazz evening in April which has proved popular and played host to some of London's most talented and glamorous singers.

Making a difference
We like to support various charities at Kettner's and we were thrilled to have taken part in the Soho Food Feast This Year.

The Soho Food Feast raises money to support Soho Parish School, a small primary school that strongly promotes healthy eating for every child and family. With a day of demonstrations, tastings and cooking contests, guests had the chance to mingle with the great and the good of London's food scene in a relaxed, family-friendly environment and try a whole host of Soho's favourite dishes, whilst raising money for a worthwhile cause.

Looking forward
146 years after its opening, Kettner's continues to attract a vibrant clientele. We intend to retain and raise the popularity of this much loved Soho institution by continuing to develop and enhance our innovative key events and our range of inspiring menu options.

"146 years after its opening, Kettner's continues to attract a vibrant clientele."

www.kettners.com

Overview

The reported statutory results cover the 52 weeks to 30 June 2013 and comparatives for the previous 53 week period ended 1 July 2012. The table below also summarises the pro forma trading results for the first 52 weeks of the prior year as a more meaningful comparison to this year's results.

Summary

	2012/13 52 weeks Reported £m	2011/12 52 weeks Pro forma £m	*52 week Change %*	2010/11 52 weeks Reported £m
Restaurant sales	590.2	566.3	*4.2%*	577.6
Retail and other	14.0	13.8	*1.4%*	14.1
Total sales	604.2	580.1	*4.2%*	591.7
EBITDA[1]	112.2	105.8	*6.0%*	108.1
Margin	18.6%	18.2%		18.3%
Depreciation (including impairment)	(33.6)	(32.5)	*3.4%*	(32.5)
EBITA[2]	78.6	73.3	*7.2%*	75.6
Margin	13.0%	12.6%		12.8%
Goodwill amortisation	(36.6)	(36.6)	*0.0%*	(36.6)
EBIT[3]	42.0	36.7	*14.4%*	39.0
Exceptional items	(9.8)	0.0	*n/a*	0.0
Operating profit	32.2	36.7	*(12.3%)*	39.0

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 £728m was established following the acquisition of the business in December 2006 and this is being amortised over 20 years. In addition a further £4.0m of goodwill was recognised on the acquisition of PizzaExpress (Franchises) Limited in September 2010 which is also being amortised over a period of 20 years
3 EBIT is defined as operating profit excluding exceptional costs

Overview continued

Total sales grew to £604.2 million, with comparable 52 week sales growth of 4.2% – a strong performance given that the economic background continued to be challenging and pressures on consumer discretionary spending were still evident. Restaurant sales increased by 4.2% on a 52 week basis, with retail and other sales up by 1.4%.

As the year progressed, we did start to see some tentative signs that trading conditions have eased slightly, particularly in the second half of the financial year, and our brands have continued to show their strength and popularity despite the general backdrop. Our customers' eating out behaviour has again returned to more predictable patterns relative to around 18 months ago. Regional differences have continued, with London performing more strongly than the rest of the country.

We have continued to use promotional activity and partnership campaigns to offer our customers compelling value, but have moderated the extent of this as conditions have improved – adopting an increasingly segmented approach to the way in which offers are targeted across our estate in terms of location and trading times.

We have also maintained our commitment to investing for the longer term:

- Investing in 21 new openings across the UK
- Converting a further 10 restaurants from one brand to another, where we saw opportunities for better returns, as part of our active management of the overall group estate
- Continuing a significant level of investment in the quality of our estate through our programme of brand transformations and refurbishments
- Supporting the development of our international operations, including the launch of our Indian joint venture as well as the investigation of other new markets which we are now actively considering for development

The increased sales momentum, combined with a strong focus on cost control (including mitigating continuing inflationary pressures on food costs), resulted in a 0.4% increase in our EBITDA margin to 18.6%, with full year EBITDA increasing by 6.0% to £112.2 million.

Depreciation increased by 3.4%, reflecting the on-going level of capital invested in our estate. With goodwill amortisation at a consistent level, this resulted in a 14.4% increase in EBIT to £42.0 million.

Operating profit declined by 12.3% to £32.2 million due to the impact of exceptional costs of £9.8 million. These primarily related to the outcome of a major one-off review of the ASK Italian estate which was conducted this year. With the re-positioning of that brand well underway, we carried out a comprehensive site by site review of the estate to identify which would be earmarked for transformation (with the associated capital spend) and which would be considered for disposal (some of which were completed during the year), to produce a 'slimmed down' more focused estate. As part of this process, specific increases in asset impairments and onerous lease provisions were recognised.

Cash flow

Net cash flow from operations increased by 24.6% to £114.1 million, primarily reflecting the stronger trading results, together with a working capital benefit as the effect of last year's 53rd week on payment timings was reversed.

During the year, the other key components of cash flow were:

- net cash interest and other costs associated with the Group's financing structure of £29.9 million
- a net taxation payment of £0.8 million – in contrast to the net refund that was applicable last year. Further details in relation to our taxation position are set out below
- net investment totalling £39.3 million in new restaurants and the maintenance of our existing restaurant estate, together with associated IT and other infrastructure, and
- a £22.0 million repayment of senior bank debt, taking the total cumulative repayments from surplus cash generated since our current financing structure was established in 2006 to £82.0 million.

Financing

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.

The Group's current debt facilities have maturity dates of July 2015 for senior debt facilities and July 2016 for its mezzanine facility. Further details are provided in notes 17 and 19 to the financial statements. In addition, the Group has an undrawn revolving credit facility of £20.0 million (to July 2015).

Banking facilities amendments

Subsequent to the year end, the Group's banking arrangements were amended resulting in a change to the maturity dates of the senior and mezzanine debt. Further details are given in note 28.

1 Funds managed and advised by Cinven Partners LLP as detailed in note 26 to the financial statements

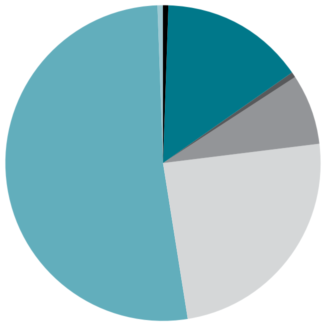
The external bank debt facilities are subject to certain financial and non-financial covenants. The financial covenants include annual limitations on capital expenditure and require the maintenance of certain minimum ratios of EBITDA to interest payable and a maximum ratio of net debt to EBITDA. In addition, there remains 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 these requirements for the foreseeable future.

Taxation

The Group paid £0.8 million during the year in relation to tax. This modest level is a result of two key continuing features of its business:

- significant investment in capital expenditure across our estate, which qualifies for capital allowances that are designed to encourage such investment
- interest payments on external debt and shareholder loans, a proportion of which are agreed as deductible for tax purposes with HMRC

The Group's contribution to the UK Exchequer is significantly more than UK corporation tax. During this financial year, we have paid and collected taxes of £147.5 million in total (up 8.9% from £135.4 million in prior year), as illustrated opposite:



UK corporation tax	£ 0.3 million
Business rates	£21.8 million
Stamp duty land tax	£ 0.2 million
Employers' NIC	£10.6 million
Employees' PAYE/NIC collected	£36.0 million
VAT collected	£78.2 million
PAYE Settlement Agreements	£ 0.4 million

Further details of the Group's policy and approach to taxation is provided on page 31.

Chris Woodhouse (52)
Chris became non-executive Chairman of the Group in April 2007. He is also Chief Executive of RAC and non-executive Chairman of Agent Provocateur. He was previously Deputy Chairman of Halfords Group and Commercial Director and Deputy Chief Executive at Homebase Group. He is a former Finance Director and Deputy Chief Executive of Debenhams plc, and Finance Director of Birthdays Group Limited and Superdrug Stores plc. He is a Fellow of the Institute of Chartered Accountants in England and Wales, an Associate of the Association of Corporate Treasurers and an Associate Fellow of Said Business School, University of Oxford.

Charles Miller-Jones (32)
Charles joined the Group's Board as a non-executive director in July 2007. He is a Principal with Cinven Partners LLP, 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 CPA Global, Pronet, Gala Coral Group and Smurfit Kappa.

Yagnish Chotai (54)
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.

Harvey Smyth (45)
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.

Peter Catterall (44)
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 Partners LLP, having joined them in 1997 and has been involved in several transactions in addition to Gondola, including Partnership Assurance, Guardian Financial Services, Avolon Aerospace, Gala Coral Group and Amadeus.

Nick Carter (46)
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 ('Gondola' and 'the Company') and its subsidiaries and joint ventures (together 'the Group'), together with their audited consolidated financial statements for the 52 week period ended 30 June 2013. The comparative information presented relates to the 53 week period to 1 July 2012. The basis of preparation of the financial statements is set out in note 2 on page 40.

Results and dividends
The results of the Group for the period are set out on page 33.

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 its 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 prior year 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 Business review on pages 5 to 25, which forms part of this report.

Post balance sheet events
An amendment to banking arrangements has taken place subsequent to the balance sheet date. Further details are given in note 28 to the financial statements.

Principal business risks and uncertainties
The Board of Directors ('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, an annual Risk Review is presented to the Board.

Given the nature of the Group's businesses, the principal business risks relate to the following:
- competition and current economic climate;
- employee retention; and
- timely supplies of quality product.

The above risks are partly mitigated by the following key measures:
- a continued focus on delivering a great experience to our customers at excellent value for money;
- competitive reward structures and comprehensive training and development programmes; and
- close monitoring against key supplier service level agreements, with contingent arrangements in place where necessary.

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. 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.

Foreign exchange risk may also arise from commercial transactions as the Group purchases certain goods from European suppliers. The Group partly hedges these commitments naturally with cash generated from its operations in Ireland.

The Group also has franchise income from various countries and a joint venture operation in India, resulting in additional (albeit relatively modest) foreign exchange risk from movements in various other currencies.

The finance function is responsible for managing the net position in each foreign currency (primarily Euros). This currency exposure is not material as at the date of this report. Currency exposures are reviewed regularly.

(b) Credit risk
The Group has no significant concentrations of credit risk. The nature of its 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 interest rate swaps to manage its interest rate risk, details of which are given in note 19 to the financial statements.

Directors' report continued

Directors
The directors of the Company during the period and up to the date of signing the financial statements 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 26.

Employees
Serving 44 million meals a year to customers in our restaurants, our people truly are our greatest asset and we believe in treating them as such: with respect, looking after their welfare and allowing them the freedom to be themselves and to flourish.

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

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

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

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 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.

Environment
The Gondola Group has continued to reduce its impact on the environment by reducing its carbon footprint. There are a number of on-going environmental programmes that work to do this and include the following:
- The Group now recycles 69% of its waste in partnership with our national waste contractor.
- Each business within the Group has its own Energy Efficiency programme, which is aimed at reducing energy and water usage by both design and user campaigns. For instance, PizzaExpress have a 'Lean & Green' campaign (in partnership with CO_2 Balance) that has seen a £1.0 million pound reduction in the use of electricity, gas and water.
- The Group's Dough Production facility worked with CO_2 Balance to become Carbon Neutral in 2011.
- The Group continues to introduce Smart Meters – which control equipment, such as ovens and air conditioning units, monitoring them remotely to ensure equipment is not over-used or utilised too early or inappropriately.
- PizzaExpress have recently joined the SRA (Sustainable Restaurant Association) to further assist us in our sustainability journey.
- All light bulbs are being replaced with energy efficient bulbs and energy efficiency of equipment is considered in relation to all new purchases.

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 in the Business Review set out on pages 5 to 25. In addition to these initiatives, the Group made charitable donations in the period of £70,000 (2012: £45,000) including £44,000 to The Great Ormond Street Hospital and £25,000 to The Prince's Trust. No political donations were made in the period (2012: £nil).

Policy and practice on payment of creditors
The Company's policy is to agree the terms of payments with its suppliers as and when a trading relationship is established, working to our standard terms wherever possible. The Company ensures that the terms of payment are clear and its policy is to abide by the agreed terms, provided the supplier meets its obligations. At 30 June 2013, the Group had 35 days (2012: 34 days) purchases outstanding in trade creditors. The Company had no trade creditors.

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

Directors' report continued

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, 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.

Going concern

The Group's financial performance and position is described in the Financial review on pages 23 to 25. The directors have reviewed cash flow forecasts for a three year period from the year end date which indicate the Group will be able to meet all its liabilities when they fall due for the foreseeable future. In addition, the maturity dates for all of the Group's banking arrangements are to July 2015 and later. The directors have therefore continued to adopt the going concern basis in preparing the financial statements.

Directors' indemnities

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

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.

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
Company Secretary
10 October 2013

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's interests 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's 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, 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 period.

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; and
- 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; and
- 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.

The three non-executive directors are appointed by the largest shareholders of the Group, the Cinven Funds. The remaining shareholders of the Group include 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 28.

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); and
- evaluating the performance of the executive directors against objectives set.

Corporate governance report continued

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; and
- assessing the independence and objectivity of the external auditors.

Compliance with reporting guidelines
Gondola is committed to ensuring meaningful and transparent reporting of information to all of its stakeholders. In addition, as a private equity owned company of significant size, the Group falls within the requirements for enhanced reporting under the guidelines established by the Walker Review in 2007 and updated by the Guidelines Monitoring Group in 2010. We believe this annual review complies with the relevant guidelines.

Taxation policy
In line with its overall approach to corporate governance, Gondola is committed to suitably strong governance in relation to all of its tax affairs.

The Group seeks to:
- structure its affairs in a tax efficient way, as would be expected in order to ensure commercial effectiveness, but using a straightforward and transparent approach without use of any aggressive tax planning strategies;
- ensure that it pays all taxes which are due (and to do so promptly);
- maintain adequate systems, processes and adequately experienced staff in order to achieve the above; and
- maintain a transparent and constructive relationship with HMRC.

The Group has prepared a tax charter to set out its approach to taxation. This was approved by the Board in October 2012 and has been shared with HMRC. The Group's management meets periodically with HMRC representatives to maintain open communication and the Group's CFO reports to the Board on taxation matters at least annually.

Gondola's tax affairs are relatively straightforward, given that it is UK domiciled (with only modest operations overseas, currently largely franchised) and that it operates in a sector which does not have inherent complexity – i.e. consumer-facing, with no long term or complicated revenue streams and relatively predictable cost structures.

In managing its affairs, the Group's aim is to limit tax related uncertainty. Our approach is to discuss significant transactions openly with the tax authorities in 'real time', as far as is commercially practicable. Where there is uncertainty in relation to a material tax issue, we will seek to obtain tax authority agreement/clearance in advance where practicable. The Group currently has agreements with HMRC to confirm appropriate treatment of the following major areas:
- capital allowances – representing the amortisation for tax purposes of the significant capital investments we make in our estate (to open new restaurants and maintain the condition of existing ones);
- interest on external bank debt and shareholder loans – to determine the amount of interest which should be deductible for tax purposes; and
- VAT treatment for specific revenue categories – to clarify the VAT treatment of non-standard sales transactions such as jazz tickets sold online, property transactions, membership subscriptions or sales of gift cards/vouchers.

Additional agreements also cover other minor areas of tax compliance (such as employee benefits and the way in which management incentive schemes are assessed).

The open and transparent nature of the Group's relationship with HMRC is reflected in its 'low risk' categorisation which was formally confirmed in September 2013.

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 30 June 2013 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Reconciliation of Movements in Shareholders' Deficit, the Company Reconciliation of Movements in Shareholders' Funds, 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 pages 28 and 29 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 30 June 2013 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
10 October 2013

Consolidated profit and loss account

for the period ended 30 June 2013

	Note	**52 weeks ended 30 June 2013 £m**	53 weeks ended 1 July 2012 £m
Turnover including share of joint venture		604.3	591.7
Less: Share of joint venture turnover		(0.1)	–
Group turnover	3	604.2	(483.7)
Cost of sales		(487.2)	(483.7)
Gross profit		117.0	108.0
Administrative expenses (excluding exceptional costs)		(75.0)	(74.9)
Operating exceptional costs	5	(9.8)	–
Total administrative expenses		(84.8)	(74.9)
Other operating income	6	–	5.9
Group operating profit	4	32.2	39.0
Share of joint venture operating loss	12	(0.4)	–
Operating profit including share of joint venture loss		31.8	39.0
Loss on disposal of fixed assets		(0.7)	(0.3)
Profit on ordinary activities before interest and taxation		31.1	38.7
Net interest payable and similar charges	8	(110.1)	(103.7)
Loss on ordinary activities before taxation		(79.0)	(65.0)
Tax on loss on ordinary activities	9	2.2	(0.2)
Loss for the financial period	21	(76.8)	(65.2)

The results above all relate to continuing operations.

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 30 June 2013 the Company made a loss of £0.1 million (2012: £0.1 million).

Consolidated statement of total recognised gains and losses
for the period ended 30 June 2013

	30 June 2013 £m	1 July 2012 £m
Loss for the financial period	(76.8)	(65.2)
Exchange losses offset in reserves	(0.2)	(0.7)
Total recognised losses since last financial period	(77.0)	(65.9)

Consolidated balance sheet

as at 30 June 2013

	Note	30 June 2013 £m	1 July 2012 £m
Fixed assets			
Intangible assets	10	494.3	530.9
Tangible assets	11	333.5	332.2
Investments	12	0.8	1.2
		828.6	864.3
Current assets			
Stock	13	17.7	17.3
Debtors	14	28.3	29.1
Cash at bank and in hand	15	66.0	44.0
		112.0	90.4
Creditors: amounts falling due within one year	16	(93.5)	(114.1)
Net current assets/(liabilities)		18.5	(23.7)
Total assets less current liabilities		847.1	840.6
Creditors: amounts falling due after more than one year	17	(1,192.2)	(1,111.8)
Provisions for liabilities and charges	18	(28.2)	(25.1)
Net liabilities		(373.3)	(296.3)
Capital and reserves			
Called up share capital	20	8.0	8.0
Profit and loss account	21	(381.3)	(304.3)
Total shareholders' deficit		(373.3)	(296.3)

The financial statements on pages 33 to 68 were approved by the Board of Directors on 10 October 2013.

H Smyth
Director

N Carter
Director

Company registration number: 05953163

Company balance sheet
as at 30 June 2013

	Note	30 June 2013 £m	1 July 2012 £m
Fixed assets			
Investments	12	7.9	7.9
		7.9	7.9
Current assets			
Debtors	14	1.0	1.0
Cash at bank and in hand	15	0.2	0.3
		1.2	1.3
Creditors: amounts falling due within one year	16	(2.0)	(2.0)
Net current liabilities		(0.8)	(0.7)
Total assets less current liabilities		7.1	7.2
Net assets		7.1	7.2
Capital and reserves			
Called up share capital	20	8.0	8.0
Profit and loss account	21	(0.9)	(0.8)
Total shareholders' funds		7.1	7.2

The financial statements on pages 33 to 68 were approved by the Board of Directors on 10 October 2013.

H Smyth
Director

N Carter
Director

Company registration number: 05953163

Consolidated cash flow statement

for the period ended 30 June 2013

	Note	52 weeks ended 30 June 2013 £m	53 weeks ended 1 July 2012 £m
Net cash inflow from operating activities	22	114.1	91.6
Returns on investments and servicing of finance			
Interest received		0.1	0.1
Interest paid		(30.0)	(28.8)
Bank fees paid	17	–	(4.9)
Net cash outflow from returns on investments and servicing of finance		(29.9)	(33.6)
Taxation (paid)/received		(0.8)	7.3
Capital expenditure and financial investment			
Purchase of subsidiary undertakings		–	(0.1)
Additional investment in joint venture	12	(0.2)	(1.2)
Purchase of intangible fixed assets		–	(0.1)
Purchase of tangible fixed assets		(38.9)	(56.7)
Sale of tangible fixed assets		(0.2)	0.1
Net cash outflow from capital expenditure and financial investment		(39.3)	(58.0)
Net cash inflow before use of liquid resources and financing		44.1	7.3
Financing			
Repayment of bank debt	17	(22.0)	(25.0)
Transfers to restricted bank accounts	15	(0.7)	(0.5)
Finance lease capital repaid	22	(0.1)	(0.2)
Net cash outflow from financing		(22.8)	(25.7)
Increase/(decrease) in cash	22 (b), (c)	21.3	(18.4)

Consolidated reconciliation of movements in shareholders' deficit

for the period ended 30 June 2013

	30 June 2013 £m	1 July 2012 £m
Loss for the financial period	(76.8)	(65.2)
Foreign exchange losses	(0.2)	(0.7)
Net increase in shareholders' deficit	(77.0)	(65.9)
Opening shareholders' deficit	(296.3)	(230.4)
Closing shareholders' deficit	(373.3)	(296.3)

Company reconciliation of movements in shareholders' funds

for the period ended 30 June 2013

	30 June 2013 £m	1 July 2012 £m
Loss for the financial period	(0.1)	(0.1)
Opening shareholders' funds	7.2	7.3
Closing shareholders' funds	7.1	7.2

1 General information

The principal activity of Gondola Group Limited ('Gondola' and the 'Company') and its subsidiaries (together, the 'Group') is operating restaurants.

The consolidated financial information presented is in respect of the underlying businesses of PizzaExpress Holdings Limited ('PizzaExpress'), ASK Central Limited ('ASK') and Byron Hamburgers Limited ('Byron') together with the Group holding companies described in note 27 for the 52 weeks ended 30 June 2013. The comparative Group and Company financial information presented is for the 53 week period ended 1 July 2012.

2 Accounting policies

Basis of preparation

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 financial statements on a going concern basis. Whilst the Group has total net liabilities of £373.3 million at 30 June 2013, 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. In addition, the Group banking and debt arrangements mature in July 2015 and later.

Basis of consolidation

The consolidated balance sheet includes all results, cash flows and the assets and liabilities of all subsidiaries. Subsidiaries acquired during the period are recorded using the acquisition method of accounting and their results are included from the date of acquisition. 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.

Entities in which the group holds an interest on a long-term basis and which are jointly controlled by the group and one or more other ventures under a contractual arrangement are treated as joint ventures. In the group financial statements, joint ventures are accounted for using the gross equity method.

Turnover

Turnover represents net invoiced sales of food and beverages, royalties from retail sales and franchise fees, all excluding value added tax. Turnover of restaurant services is recognised when the goods have been provided. Royalties from retail sales are recognised in turnover on product delivery or when due under the terms of the relevant retail sales agreements. Franchise fees arising outside the United Kingdom are recognised when they fall due under the terms of the relevant franchise agreements.

Allocation of costs

Cost of sales includes all direct costs incurred in restaurants. Administrative expenses include 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. Cost includes 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 the vast majority of 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 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 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 financial statements when unconditional contracts are exchanged.

2 Accounting policies continued

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.

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 the spot rate applicable at the date of the transaction. Monetary assets and liabilities expressed in foreign currencies held at the balance sheet date are translated at the closing rate. The resulting exchange gain or loss is dealt with in the 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.

2 Accounting policies continued

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 and amounts held as letters of credit for potential insurance liabilities. 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 financial statements in the period in which they are earned.

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.

Joint venture investments

In the Group and Company financial statements, investments in joint ventures are accounted for using the gross equity method.

Fixed asset investments

In the Group and Company financial statements, investments in subsidiary undertakings are stated at cost plus incidental expenses less any provision for impairment. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

Share-based payments

The Group operates an equity-settled, share-based compensation plan, the 'Gondola Investment Plan' which includes:

- Ordinary C shares in the Company which may have beneficial terms on exit if certain valuation thresholds are met (see note 20), and
- units in a partnership, Gondola Investments Limited Partnership Incorporated ('the Partnership'), which the Partnership issues to correspond to its holding of Ordinary F shares in the Company and which may have beneficial terms on exit if certain valuation thresholds are met. Some of these Partnership units issued to employees receive a share of exit proceeds at a lower valuation threshold than the Ordinary shares of the Company.

Employees subscribe for these shares and partnership units 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 or units on exit, specifically as a result of the respective valuation thresholds being achieved, is recognised as a cost where it represents a material charge to the profit and loss account. 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 or units 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 sufficiently material in the financial year to warrant separate disclosure. However, as set out in the Business Review above, the international operations of the group are an increasingly important area of focus for management and we would expect the geographical split of our turnover to change over time as our international business grows.

4 Group operating profit is stated after charging/(crediting):

	52 weeks ended 30 June 2013 £m	53 weeks ended 1 July 2012 £m
Shown within cost of sales:		
Employee costs (note 7)	193.6	191.8
Depreciation of owned tangible fixed assets (note 11):		
– Plant, fixtures, IT equipment and motor vehicles	14.7	13.7
– Short leasehold properties	13.8	14.0
Impairment – short leasehold properties (note 11)	5.4	2.7
Operating lease rentals:		
– Hire of plant and machinery	0.1	0.1
– Short leasehold properties	60.9	58.5
Rental income	(2.5)	(2.4)

	52 weeks ended 30 June 2013 £m	53 weeks ended 1 July 2012 £m
Shown within administrative expenses:		
Employee costs (note 7)	20.2	17.5
Amortisation of goodwill (note 10)	36.6	36.6
Depreciation of owned tangible fixed assets (note 11):		
– Plant, fixtures, IT equipment and motor vehicles	1.5	1.3
– Short and long leasehold properties	0.4	0.2
Impairment – short leasehold properties (note 11)	–	0.6
Operating lease rentals:		
– Short leasehold properties	0.9	1.6
Rental income	(0.7)	(0.7)
Auditors' remuneration:		
– Statutory audit fees and expenses	0.2	0.2
– Advisory fees	0.4	–

5 Operating exceptional costs

	52 weeks ended 30 June 2013 £m	53 weeks ended 1 July 2012 £m
Shown within operating exceptional costs:		
Exceptional costs:		
– Impairments	2.6	–
– Onerous leases	4.3	–
– Loss on disposal – fixed assets	1.2	–
– Loss on disposal – stock	0.4	–
– Restructuring and other	1.3	–
Total operating exceptional costs	9.8	–

During the period. exceptional costs were incurred as follows:

- A major review was carried out of the ASK Italian estate to consider which restaurants will have capital allocated to them as part of that brand's major repositioning process and which sites would instead be considered for disposal as part of a 'slimming down' of the property portfolio. As a result of this one-off review, impairment (£2.6 million) and onerous lease charges (£3.7 million) were identified, together with £1.6 million of losses realised on disposals completed during the year.
- Additional onerous lease charges of £0.6 million were provided for in relation to historical rent guarantees on a small number of overseas properties no longer operated by the Group.
- Restructuring and other costs of £1.3 million were also incurred across the Group, including staff restructuring costs which followed the above estate review, advisory and other preparation costs relating to a potential asset disposal by the Group and brand closure costs for Soho Pizzeria.

6 Other operating income

	52 weeks ended 30 June 2013 £m	53 weeks ended 1 July 2012 £m
Other operating income	–	5.9

In October 2011, one of the Group's landlords was granted compulsory purchase powers to carry out a major regeneration scheme for the area surrounding Victoria station in London, affecting two of the Group's restaurants located nearby. The Group subsequently agreed early surrender of these leases with compensation for the loss of future income from these restaurants.

7 Employees and directors

	52 weeks ended 30 June 2013 £m	53 weeks ended 1 July 2012 £m
a) Employee costs:		
Wages and salaries	199.8	195.0
Social security costs	13.1	13.4
Other pension costs	0.9	0.9
	213.8	209.3
Disclosed within:		
Cost of sales	193.6	191.8
Administrative expenses	20.2	17.5
	213.8	209.3
b) Employee numbers (including directors)		
The average number of persons employed by the Group during the period was:	Number	Number
Restaurants and distribution	14,692	14,438
Administration	432	440
	15,124	14,878

The Company has no employees (2012: nil).

7 Employees and directors continued

Total directors' remuneration in the period was as follows:

	52 weeks ended 30 June 2013 £'000	53 weeks ended 1 July 2012 £'000
Aggregate emoluments	1,608	1,033

Pension contributions of £79,500 (2012: £75,000) were paid into individual personal pension plans in relation to two directors.

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

	52 weeks ended 30 June 2013 £'000	53 weeks ended 1 July 2012 £'000
Aggregate emoluments	654	314
Pension contributions	45	41
	699	355

Mssrs. Peter Catterall, Yagnish Chotai and Charles Miller-Jones, who represent the Cinven group, received no remuneration from the Group in respect of their services as directors or in respect of any services to the Group. Cinven Partners LLP was paid fees of £0.3 million (2012: £0.3 million) in respect of their services (see note 25), which is included in the aggregate emoluments disclosed above.

No director waived any emoluments in the period (2012: nil).

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.

8 Net interest payable and similar charges

	Note	**52 weeks ended 30 June 2013 £m**	53 weeks ended 1 July 2012 £m
Interest payable on bank loans and overdrafts			
– Bank loans – Senior Facilities	17	25.9	25.4
– Bank loans – Mezzanine Facility	17	8.2	7.7
– Bank loans – other		0.5	0.8
Interest payable on shareholder loans	17	72.2	65.4
Amortisation of issue costs of bank and shareholder loans	17	3.4	4.5
Interest payable and similar charges		110.2	103.8
Interest receivable		(0.1)	(0.1)
Net interest payable and similar charges		110.1	103.7

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.

9 Tax on loss on ordinary activities

	52 weeks ended 30 June 2013 £m	53 weeks ended 1 July 2012 £m
Current tax		
United Kingdom corporation taxation	0.0	0.9
Overseas corporation taxation	0.3	0.3
Overprovision in respect of prior periods	(1.4)	(0.6)
Total current tax (credit)/charge	(1.1)	0.6
Deferred tax		
Origination and reversal of timing differences	(0.3)	1.3
Effect of change in rate of taxation	(1.0)	(1.8)
Under provision in respect of prior periods	0.2	0.1
Total deferred tax credit (note 18)	(1.1)	(0.4)
Tax (credit)/charge on ordinary activities	(2.2)	0.2

9 Tax on loss on ordinary activities continued

The tax charge for the period is different to the standard rate of corporation tax in the UK of 23.75% (2012: 25.5%). The differences are explained below:

	52 weeks ended 30 June 2013 £m	53 weeks ended 1 July 2012 £m
Loss on ordinary activities before tax	(79.0)	(65.0)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.75% (2012: 25.5%)	(18.7)	(16.6)
Effects of:		
Expenses not deductible for tax purposes	18.9	19.9
Effect of overseas tax at lower rate	(0.4)	(0.8)
Accelerated capital allowances	0.3	(1.3)
Utilisation of brought forward tax losses	0.2	–
Overprovision in respect of prior periods	(1.4)	(0.6)
Total current tax	(1.1)	0.6

10 Intangible assets

Group	Trademarks £m	Goodwill £m	**Total £m**
Cost			
At 2 July 2012 and 30 June 2013	0.1	732.2	732.3
Accumulated amortisation:			
At 2 July 2012	–	201.4	201.4
Charge for the period	–	36.6	36.6
At 30 June 2013	–	238.0	238.0
Net book value			
At 1 July 2012	0.1	530.8	530.9
At 30 June 2013	0.1	494.2	494.3

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, the fact that the PizzaExpress and ASK businesses are long standing operations and that the Group continues to have growth opportunities in the future.

Goodwill arising on the acquisition of PizzaExpress (Franchises) Limited is also being amortised over a period of 20 years on the basis of the strength of the brand and the long-term international growth opportunities.

Trademarks for the international use of the 'PizzaExpress' and 'Pizza Marzano' names are being amortised over 20 years.

Company
The Company has no intangible assets.

11 Tangible assets

Group	Assets under construction £m	Freehold properties £m	Short leaseholds £m	Plant, fixtures, IT equipment and motor vehicles £m	**Total £m**
Cost					
At 2 July 2012	8.3	0.1	316.3	115.6	440.3
Foreign exchange movement	–	–	0.5	0.2	0.7
Additions	31.5	–	0.9	6.3	38.7
Transfers	(32.0)	–	22.4	9.6	–
Disposals	–	–	(9.9)	(3.9)	(13.8)
At 30 June 2013	7.8	0.1	330.2	127.8	465.9
Accumulated depreciation					
At 2 July 2012	–	–	60.9	47.2	108.1
Foreign exchange movement	–	–	0.2	0.1	0.3
Charge for the period	–	–	14.2	16.5	30.7
Impairment charge	–	–	5.4	–	5.4
Disposals	–	–	(9.0)	(3.1)	(12.1)
At 30 June 2013	–	–	71.7	60.7	132.4
Net book value					
At 2 July 2012	8.3	0.1	255.4	68.4	332.2
At 30 June 2013	7.8	0.1	258.5	67.1	333.5

Included above are assets held under finance lease with a net book value of £0.3 million (2012: £0.6 million).

11 Tangible assets continued

The directors have reviewed the carrying value of certain restaurants for impairment as at 30 June 2013. 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 estimated weighted average cost of capital of 9.4%. The resulting impairment charge for the period was £5.4 million (2012: £3.3 million).

Capital expenditure contracted but not provided as at 30 June 2013 was £nil (2012: £nil), relating to new restaurants.

Company

The Company has no tangible fixed assets.

12 Investments

Group	1 July 2012 £m	Additional investment £m	Share of loss including foreign exchange £m	**30 June 2013 £m**
Investment in joint venture share of gross assets	1.2	0.2	(0.6)	0.8
Total investment in joint ventures	1.2	0.2	(0.6)	0.8

PizzaExpress has a joint venture agreement with Gourmet Investments Private Limited, promoted by the Bharti Family Office, to operate the PizzaExpress brand in India. PizzaExpress Asia Holdings Private Limited, incorporated in Singapore, holds a 50% interest in Atrium Restaurants India Private Limited, an unlisted company incorporated in India. The registered office is in New Delhi, India.

During the year, an additional investment of £0.2 million was made. The £0.8 million investment represents Gondola Group's 50% share of the investment, adjusted for foreign exchange differences of £0.2 million. The Group's 50% share of the loss for the year was £0.4 million.

Company	**30 June 2013 £m**	1 July 2012 £m
Investment in subsidiaries – cost and net book value	7.9	7.9
Total investment in subsidiaries	7.9	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 27.

13 Stocks

Group	30 June 2013 £m	1 July 2012 £m
Raw materials and consumables	17.7	17.3

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

Company
The Company holds no stock.

14 Debtors

	Group		Company	
	30 June 2013 £m	1 July 2012 £m	**30 June 2013 £m**	1 July 2012 £m
Trade debtors	2.0	1.3	–	–
Amounts due from subsidiary undertakings	–	–	–	0.4
Corporation tax	1.0	–	–	–
Other debtors	6.3	6.7	1.0	0.6
Prepayments and accrued income	19.0	21.1	–	–
	28.3	29.1	1.0	1.0

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

Amounts due from subsidiary undertakings are interest-free and are repayable on demand.

15 Cash at bank and in hand

	Group		Company	
	30 June 2013 £m	1 July 2012 £m	**30 June 2013 £m**	1 July 2012 £m
Cash	64.3	43.0	0.2	0.3
Restricted cash	1.7	1.0	–	–
	66.0	44.0	0.2	0.3

The restricted cash relates to a £1.7 million (2012: £1.0 million) letter of credit deposited with Barclays in relation to potential insurance liabilities.

The restricted cash does not meet the definition of cash as defined in FRS 1.

16 Creditors: amounts falling due within one year

	Group		Company	
	30 June 2013 £m	1 July 2012 £m	**30 June 2013 £m**	1 July 2012 £m
Bank loans – Senior Facilities (note 17)	–	22.0	–	–
Trade creditors	20.1	19.6	–	–
Amounts owing to subsidiary undertakings	–	–	2.0	2.0
Finance lease creditor	–	0.1	–	–
Other creditors	14.8	14.7	–	–
Corporation tax	–	0.9	–	–
Other taxation and social security	18.6	19.6	–	–
Accruals and deferred income	40.0	37.2	–	–
	93.5	114.1	2.0	2.0

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

17 Creditors: amounts falling due after more than one year

	Group		Company	
	30 June 2013 £m	1 July 2012 £m	**30 June 2013 £m**	1 July 2012 £m
Bank loans – Senior Facilities	461.2	458.6	–	–
Bank loans – Mezzanine Facilities	79.5	74.3	–	–
Unsecured shareholder Loan Notes	651.5	578.9	–	–
	1,192.2	1,111.8	–	–

Senior Debt
On 22 December 2006, the Group entered into borrowing arrangements to finance the purchase of Gondola Holdings plc. The loans were syndicated to a range of institutions 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.

The initial issue costs of the senior debt of £17.1 million, as well as further issue costs of £4.4 million incurred in 2012, are being amortised over the period to the maturity date. At 30 June 2013, the unamortised cost was £2.4 million (2012: £5.0 million).

During the year, £22.0 million of facilities matured and were repaid. The balance of the loans is due for repayment in July 2015.
The total amount outstanding, including accrued interest and excluding unamortised issue costs as at 30 June 2013, was £465.3 million (2012: £487.5 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 24.

17 Creditors: amounts falling due after more than one year continued

Mezzanine Debt

On 22 December 2006, the Group entered into a Mezzanine Facility agreement to borrow £60.0 million.

Interest capitalised into the principal of the loan at 30 June 2013 was £18.0 million (2012: £13.3 million). In addition, £1.9 million (2012: £1.8 million) represented accrued interest due to be capitalised into the principal (ie. not cash paid), prior to deduction of the unamortised issue costs below.

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 24.

The initial issue costs of the mezzanine debt of £1.9 million, as well as further issue costs of £0.5 million incurred in 2012, are being amortised over the period to maturity date. At 30 June 2013, the unamortised cost was £0.4 million (2012: £0.8 million).

The total amount outstanding, including accrued cash interest and excluding unamortised issue costs as at 30 June 2013, was £80.2 million (2012: £75.4 million).

Banking terms and maturity dates

The outstanding principal loan amount and the maturity dates of the senior and mezzanine facilities are summarised in the table below:

	Principal loan amount	Weighted average interest rate above LIBOR	Maturity date
Senior debt	£463.6m	4.48%	July 2015
Mezzanine debt	£78.0m	10.25%	July 2016

The above excludes the undrawn committed revolving facility of £20.0 million detailed in note 19.

Banking facilities amendments

Subsequent to the year end, the Group's banking arrangements were amended resulting in a change to the maturity dates of the senior and mezzanine debt. Further details are given in note 28.

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 January 2036. The Loan Notes accrue interest at a compound rate of 12.5% per annum. Interest capitalised into the principal of the Loan Notes at 30 June 2013 was £349.0 million (2012: £276.8 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 expected maturity date. At 30 June 2013, the unamortised cost was £0.4 million (2012: £0.8 million).

18 Provisions for liabilities and charges

	Deferred taxation £m	Onerous leases £m	**Total £m**
At 2 July 2012	23.8	1.3	25.1
Utilised in period	0.2	(0.1)	0.1
Charge for the period	(1.3)	4.3	3.0
At 30 June 2013	22.7	5.5	28.2

Onerous leases
The onerous lease provision represents operating leases on long term loss making sites and 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 the Group's weighted average cost of capital of 9.4% (2012: 9.1%).

Deferred taxation
As at 30 June 2013, the Group has unrecognised deferred tax assets of £nil (2012: £nil) arising from brought forward tax losses. The deferred tax liability of £22.7 million (2012: £23.8 million) relates to accelerated capital allowances.

A number of changes continue to the UK Corporation Tax system. The main rate of corporation tax, currently at 23% as at 30 June 2013, will reduce to 21% from 1 April 2014. This reduction had not been substantively enacted as at 30 June 2013.

The overall effect of the change from 23% to 21%, if these applied to the deferred tax balance at 30 June 2013, would be to reduce the deferred tax liability by approximately £2.6 million (being £1.8 million recognised in 2014 and £0.8 million recognised in 2015).

19 Financial instruments

Policy
The Group does not use complex derivative financial instruments. Further information on the Group's policy and risks in respect of financial instruments is given in the Directors' Report on page 27.

The Group has bank borrowings at variable rates. The Group aims to minimise the effect of interest rate fluctuations by balancing the ratio of fixed or hedged debt to floating rate debt. The Group does not have a set view on the balance to be maintained, but reviews this on an on-going basis and uses interest rate swaps to hedge a significant portion of its interest rate risk. As set out below, approximately 98.9% (2012: 96.9%) of the financial instruments carried interest at a fixed rate as at 30 June 2013.

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.

19 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 interest rate risk, was as follows:

	Group		Company	
Sterling – borrowings	**30 June 2013 £m**	1 July 2012 £m	**30 June 2013 £m**	1 July 2012 £m
Fixed rate	1,176.5	1,104.8	–	–
Floating rate	12.4	35.9	–	–
	1,188.9	1,140.7	–	–

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

The effect of the Group's interest rate swaps is to classify £525.0 million (2012: £525.0 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	**30 June 2013 £m**	1 July 2012 £m	**30 June 2013 £m**	1 July 2012 £m
Fixed rate – restricted cash	1.7	1.0	–	–
Floating rate	54.8	34.4	0.2	0.3
No interest	9.5	8.6	–	–
	66.0	44.0	0.2	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 £66.0 million (2012: £44.0 million) which are part of the financing arrangements of the Group.

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.

The restricted cash deposits of £1.7 million (2012: £1.0 million) are on six-month deposit at an interest rate of 0.15% (2012: 0.15%).

19 Financial instruments continued

Currency exposures

At 30 June 2013 the Group had Euro denominated current assets, being the functional currency of the relevant Group company of £1.1 million (2012: £0.4 million).

The Group also holds an £0.8 million (2012: £1.2 million) investment in a joint venture operation in India.

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 30 June 2013.

Borrowing facilities

The Group had an undrawn committed revolving facility of £20.0 million at 30 June 2013 and 1 July 2012 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 July 2015. The facility, if utilised, would carry interest at LIBOR plus 4.0%. The unused facility incurs commitment fees of 0.75%.

The Company has no borrowings.

Maturity of financial liabilities

Maturity dates of financial liabilities are shown in note 17.

Hedges

The Group's policy is to hedge a significant portion of interest rate risk using interest swaps. There are currently two swaps effective, fixing the interest rate for £525.0 million (2012: £525.0 million) as follows:

- £250.0 million at 0.9425% expiring 6 January 2014
- £275.0 million at 0.9125% expiring 6 January 2014

As at 30 June 2013, the fair value of the interest rate swaps was £1.3 million (2012: £2.5 million), which is an unrecognised loss at period end.

The Company has no unrecognised gains or losses.

20 Called up share capital

Group and Company	30 June 2013 £m	1 July 2012 £m
Authorised		
Equity		
13,695,412 (2012: 13,695,412) Ordinary A shares of £1 each	13.7	13.7
304,588 (2012: 304,588) Ordinary B shares of £1 each	0.3	0.3
2,000,000 (2012: 2,000,000) Ordinary C shares of £1	2.0	2.0
333,333 (2012: 333,333) Ordinary F shares of 10p each	–	–
	16.0	16.0
Allotted, issued and fully paid		
Equity		
6,847,706 (2012: 6,847,706) Ordinary A shares of £1 each	6.8	6.8
152,294 (2012: 152,294) Ordinary B shares of £1 each	0.2	0.2
978,769 (2012: 978,769) Ordinary C shares of £1 each	1.0	1.0
326,949 (2012: 326,949) Ordinary F shares of 10p each	–	–
	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, C and F 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, B and F 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 up to a value of £1 billion to be allocated equally between Ordinary A, B, C and F shares, after all liabilities have been settled. Distributions over and above this amount are then allocated equally between Ordinary A, B, C, F and Deferred shares.

21 Profit and loss account

Group	£m
At 2 July 2012	(304.3)
Loss for the financial period	(76.8)
Foreign exchange	(0.2)
At 30 June 2013	(381.3)

Company	£m
At 2 July 2012	(0.8)
Loss for the financial period	(0.1)
At 30 June 2013	(0.9)

22 Notes to cash flow statement

a) Reconciliation of operating profit to operating cash flows	52 weeks ended 30 June 2013 £m	53 weeks ended 1 July 2012 £m
Group operating profit	32.2	39.0
Depreciation and impairment of tangible fixed assets	36.1	32.5
Amortisation of goodwill	36.6	36.6
Loss on disposal of fixed assets	1.2	–
Increase in stock	(0.8)	(4.3)
Decrease/(increase) in debtors	1.8	(3.8)
Increase/(decrease) in creditors	7.0	(8.4)
Net cash inflow from operating activities	114.1	91.6

22 Notes to cash flow statement continued

b) Reconciliation of net cash flow to movement in net debt	**52 weeks ended 30 June 2013 £m**	53 weeks ended 1 July 2012 £m
Increase/(decrease) in cash (note 15)	21.3	(18.4)
Cash outflow from movement in restricted cash	0.7	0.5
Cash outflow from movement in finance lease creditor	0.1	0.2
Bank fees paid	–	4.9
Repayment of bank debt	22.0	25.0
Change in net debt resulting from cash flows	44.1	12.2
Other non-cash changes	(80.1)	(75.0)
Net debt at beginning of period	(1,092.1)	(1,029.3)
Net debt at end of period	(1,128.1)	(1,092.1)

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

c) Analysis of changes in net debt	At 2 July 2012 £m	Cash flow £m	Non-cash changes £m	**At 30 June 2013 £m**
Cash at bank and in hand	43.0	21.3	–	64.3
Restricted cash	1.0	0.7	–	1.7
Debt due within one year – Finance lease	(0.1)	0.1	–	–
Bank debt and other borrowings (>1 year)	(1,113.9)	–	(80.2)	(1,194.1)
Bank debt and other borrowings (<1 year)	(22.1)	22.0	0.1	–
Total net debt	(1,092.1)	44.1	(80.1)	(1,128.1)

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.

23 Operating lease commitments

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

	30 June 2013 £m	1 July 2012 £m
Land and buildings		
Within one year	1.2	0.7
In the second to fifth years inclusive	4.7	4.7
Over five years	56.8	53.3
	62.7	58.7
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 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 may be different to the financial commitment at the year-end.

24 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 Bank of Scotland plc.

The amounts outstanding at the balance sheet dates for these loans were £465.3 million (2012: £487.5 million) under the Senior Facilities and £80.2 million (2012: £75.4 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.

25 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

Fees totalling £300,000 (2012: £300,000) have been paid to Cinven Partners LLP in respect of services provided to the Group (see note 7).

Transactions with Cinven portfolio entities

During the year, the Group paid £67,000 (2012: £88,000) to Inenco Group Limited for managing the energy services of the Group. The Group pays Inenco an annual commission together with a percentage share of the value of any trading gains.

Transactions with joint venture investment entities

During the year, the Group invested an additional £150,000 (2012: £1.2 million) into Atrium Restaurants India Private Limited, a joint venture agreement with Gourmet Investments Private Limited. The 50% interest is held in PizzaExpress Asia Holdings Private Limited. During the year, Group companies invoiced £160,000 (2012: £nil) to the joint venture, which were held within debtors at year end.

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 the official rate set each year by HMRC (currently 4%) and are repayable on demand. The following loans were owed by directors and were outstanding as at 30 June 2013:

	30 June 2013 £	1 July 2012 £
H Smyth	264,978	261,739

25 Related party transactions continued

Gondola Finance 1 Limited A Loan Notes and 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, certain shareholders and directors purchased Gondola Finance 1 A Loan Notes and B Loan Notes at cost. As detailed in note 17, interest accrues at 12.5% and is capitalised into the principal on an annual basis.

On 20 November 2009, all Gondola Finance 1 A Loan Notes and B Loan Notes (principal of £296,461,166 and £6,593,341 respectively, together with accrued interest) were transferred to Gondola Investments Limited Partnership Incorporated ('the Partnership'), an entity registered in Guernsey, in exchange for units in the Partnership. The individual holdings of Partnership units were issued in proportion to the number of Loan Notes previously held, therefore the indirect beneficial interests in the underlying principal of Loan Notes following this transaction were effectively unchanged and are as follows:

Gondola Finance 1 A Loan Note holdings

	30 June 2013 £	1 July 2012 £
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 Fourth Cinven Co-Investment Partnership, one of the Cinven Funds, such that their indirect interests in Gondola Finance 1 A Loan Notes are as follows:

	30 June 2013 £	1 July 2012 £
Y Chotai	136,320	136,320
P Catterall	102,240	102,240
C Miller-Jones	1,200	1,200

25 Related party transactions continued
Gondola Finance 1 B Loan Note holdings

	30 June 2013 £	1 July 2012 £
The Cinven Funds	1,270,650	1,270,650
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:

	30 June 2013 £	1 July 2012 £
Y Chotai	627	627
P Catterall	470	470
C Miller-Jones	6	6

26 Ultimate parent undertakings
At 30 June 2013 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 by Cinven Partners LLP, a company incorporated under the laws of England and Wales.

Accordingly, the directors consider the Company's ultimate controlling party to be Cinven Partners LLP, the manager of the Cinven Funds.

Cinven is a leading European private equity firm that acquires companies that require an equity investment of €100.0 million or more. Cinven was founded in 1977 and has been responsible for many buyout industry 'firsts', including the first €1.0 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 Guernsey, London, Paris, Frankfurt, Milan, Luxembourg 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 four and six years and it takes a responsible approach towards its portfolio companies, their employees, suppliers and local communities, the environment and society.

27 Principal subsidiary undertakings

The principal subsidiary undertakings of the Group for the period ended 30 June 2013 were as follows:

	Principal activity	Country of incorporation	Proportion of ordinary voting shares held and interest in allotted capital
PizzaExpress Holdings Limited	Holding Company	UK	100%
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%
PizzaExpress Franchises Limited	International Franchised Restaurants	UK	100%
Al Rollo Limited	Restaurants	UK	100%
ASK Central Limited	Holding Company	UK	100%
ASK Restaurants Limited	Restaurants	UK	100%
Byron Hamburgers 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%
PizzaExpress Asia Holdings Private Limited	Holding Company	Singapore	100%

28 Post Balance Sheet Events

Amendment to banking arrangements

In October 2013, the Group completed an amendment to the terms of its existing senior and mezzanine banking facilities. Senior debt of £37.5 million was not extended and will remain payable in July 2015. The maturity dates of the remaining debt facilities were extended. The impact of the amendment is summarised in the tables below:

Before amendment and as at 30 June 2013	Principal loan amount	Maturity date
Senior debt	£463.6m	July 2015
Mezzanine debt	£78.0m	July 2016

After amendment	Principal loan amount	Maturity date
Senior debt – extended	£426.1m	January 2018
Senior debt – not extended	£37.5m	July 2015
Mezzanine debt – extended	£80.4m	January 2019

In addition, the £20.0 million revolving credit facility was also extended to January 2018.

Note, the principal loan amount of the mezzanine debt has increased since 30 June 2013 due to the inclusion of capitalised interest.

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