

Registration number 05953185

Gondola Finance 2 Limited

Directors' Report and Financial Statements

for the 53 Weeks Ended 1 July 2012

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Gondola Finance 2 Limited
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Gondola Finance 2 Limited
Company Information

Directors H Smyth
N Carter

Company secretary N Carter

Registered office Fifth Floor
2 Balcombe Street
London
NW1 6NW

Independent Auditors PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
First Point
Buckingham Gate
London Gatwick Airport
Gatwick
West Sussex
RH6 0NT

Gondola Finance 2 Limited
Directors' Report for the 53 weeks ended 1 July 2012

The directors present their report and the audited financial statements of the company for the 53 week period ended 1 July 2012

Directors of the company

The directors who were in office during the period and at the date of signing the financial statements,

H Smyth

N Carter - Company secretary and director

Principal activities

The principal activity of the company is that of a holding company

Results and dividends

The company's loss for the year, after taxation, amounted to £5,372,793 (2011 loss £4,605,077)

The directors are unable to recommend the payment of a dividend (2011 £nil)

Business review

Given the holding company nature of the business, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business. This is achieved instead through its operating subsidiaries, the performance of which is measured through the use of three key performance indicators being sales and profitability versus annual budget and the number of trading restaurants

Financial risk management

The principal risks to which the company is exposed are interest rate risk, liquidity risk and cash flow risk

Interest rate risk arises to the extent that a change in the underlying base rate of interest will affect the level of interest payable on the external bank debt. The risk is not considered material and thus the company does not employ the use of hedging instruments

Liquidity risk and cash flow risk arises as a result of the company's net liability position. The company manages this risk by obtaining assurances from its parent and subsidiary undertakings that they will not seek repayment of intercompany creditors in the foreseeable future

Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to assurances from Gondola Finance 1 Limited and Gondola Holdings Limited that they will not seek repayment of the intercompany creditor balances for at least one year after these financial statements are signed

Gondola Finance 2 Limited
Directors' Report for the 53 weeks ended 1 July 2012

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Financial instruments

The directors consider that the company's key financial instruments are bank loans and amounts owed by/owed to the immediate parent company and subsidiaries. Financial exposures exist to the extent that a change in the underlying base rate of interest will affect the level of income received or paid on these balances.

The bank loans accrue interest at a rate dependent on LIBOR. However, the directors do not consider the risk of interest rate fluctuations to be material.

Amounts owed by fellow subsidiary undertakings accrue interest at a fixed rate of 4 per cent. The directors do not therefore consider interest rate risk on intercompany balances to be material.

Thus the company does not employ the use of hedging instruments. The directors will revisit the appropriateness of the policy should the company's operations change in size or nature.

Statement of Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the 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 or she ought to have taken as a director in order to make himself or herself 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.

Gondola Finance 2 Limited
Directors' Report for the 53 weeks ended 1 July 2012

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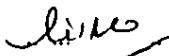
Directors' indemnities

The company maintains liability insurance for its directors and officers which is a qualifying third party indemnity provision for the purposes 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

Approved by the Board on 29 October 2012 and signed on its behalf by



N Carter

Company secretary and director

Gondola Finance 2 Limited

Independent Auditors' Report to the Members of Gondola Finance 2 Limited

We have audited the financial statements of Gondola Finance 2 Limited for the 53 week period ended 1 July 2012, which comprise the Profit and Loss Account, the Balance Sheet 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 Statement of Directors' Responsibilities set out on page 3, 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 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 Directors' 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 company's affairs as at 1 July 2012 and of its loss for the 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.

Gondola Finance 2 Limited

**Independent Auditors' Report to the Members of
Gondola Finance 2 Limited**

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

Rosemary Shapland

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

29 October 2012

Gondola Finance 2 Limited
Profit and Loss Account for the 53 weeks ended 1 July 2012

	Note	53 weeks ended 1 July 2012 £ 000	52 weeks ended 26 June 2011 £ 000
Administrative expenses		-	(13)
Operating loss	2	-	(13)
Interest receivable and similar income	5	14,880	3,237
Interest payable and similar charges	6	(22,092)	(9,576)
Loss on ordinary activities before taxation		(7,212)	(6,352)
Tax on loss on ordinary activities	7	1,839	1,747
Loss for the financial period	13	(5,373)	(4,605)

Profit derives wholly from continuing operations

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

The company has no recognised gains or losses for the periods other than the results above, and therefore no separate statement of total recognised gains and losses has been presented

Gondola Finance 2 Limited
(Registration number: 05953185)
Balance Sheet as at 1 July 2012

	Note	1 July 2012 £ 000	26 June 2011 £ 000
Current assets			
Debtors	9	382,836	356,412
Cash at bank and in hand		<u>204</u>	<u>190</u>
		383,040	356,602
Creditors Amounts falling due within one year	10	<u>(345,497)</u>	<u>(317,739)</u>
Total assets less current liabilities		37,543	38,863
Creditors Amounts falling due after more than one year	11	<u>(74,319)</u>	<u>(70,266)</u>
Net liabilities		<u><u>(36,776)</u></u>	<u><u>(31,403)</u></u>
Capital and reserves			
Called up share capital	12	-	-
Profit and loss account	13	<u>(36,776)</u>	<u>(31,403)</u>
Total shareholders' deficit	14	<u><u>(36,776)</u></u>	<u><u>(31,403)</u></u>

Approved by the Board on 29 October 2012 and signed on its behalf by


H Smyth
Director

Gondola Finance 2 Limited
Notes to the Financial Statements for the 53 weeks ended 1 July 2012

1 Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards in the United Kingdom and with the Companies Act 2006. The principal accounting policies, which have been applied consistently throughout the year are set out below.

The company is exempt under Companies Act 2006 section 400 from the obligation to prepare and deliver group financial statements as it is itself a wholly owned subsidiary of a larger group drawing up consolidated financial statements, as detailed in note 18. As a consequence, these financial statements present information about the company as an individual undertaking and not about its group.

Going concern

The directors have considered the financial position of the company and concluded that it is appropriate to prepare the financial statements on a going concern basis. This is after taking account of the assurances provided by Gondola Finance 1 Limited and Gondola Holdings Limited that they will not seek any repayment of the amounts owed by the company. The company, in conjunction with other companies in the Gondola Group, has produced cash flow forecasts to ensure that debt and interest obligations can be met in the foreseeable future.

Fixed asset investments

Investments are held at cost less provision for any impairment in value.

Deferred tax

Corporation tax payable is provided on taxable profits at the current rate.

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 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.

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.

2 Operating loss

The audit fee for the company for the period was £6,000 (2011: £6,000). Auditors' remuneration for the 53 weeks ended 1 July 2012 is included within the financial statements of Gondola Holdings Limited.

Gondola Finance 2 Limited

Notes to the Financial Statements for the 53 weeks ended 1 July 2012

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3 Particulars of employees

The company had no employees during the period (2011 none)

4 Directors' remuneration

No remuneration was paid by the company to any director during the period (2011 £nil)

The remuneration of H Smyth and N Carter is paid by Gondola Holdings Limited. It is not possible to make an accurate apportionment of their emoluments in respect of each of the companies of which they are directors.

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

5 Interest receivable and similar income

	53 weeks ended 1 July 2012 £ 000	52 weeks ended 26 June 2011 £ 000
Bank interest receivable	1	1
Group interest receivable	14,879	3,236
	<u>14,880</u>	<u>3,237</u>

6 Interest payable and similar charges

	53 weeks ended 1 July 2012 £ 000	52 weeks ended 26 June 2011 £ 000
Group interest payable	14,031	3,566
Mezzanine debt interest payable	7,706	5,743
Amortisation of debt issue costs	355	267
	<u>22,092</u>	<u>9,576</u>

Gondola Finance 2 Limited

Notes to the Financial Statements for the 53 weeks ended 1 July 2012

..... *continued*

7 Tax on loss on ordinary activities

	53 weeks ended 1 July 2012 £ 000	52 weeks ended 26 June 2011 £ 000
Current tax		
UK Corporation tax credit	(1,839)	(1,747)
Total current tax	<u>(1,839)</u>	<u>(1,747)</u>

Factors affecting current tax charge for the period

Tax on loss on ordinary activities for the period is the same as (2011 - the same as) the standard rate of corporation tax in the UK of 25.5% (2011 - 27.5%)

The differences are reconciled below

	53 weeks ended 1 July 2012 £ 000	52 weeks ended 26 June 2011 £ 000
Loss on ordinary activities before taxation	(7,212)	(6,352)
Corporation tax at standard rate	(1,839)	(1,747)
Total current tax	<u>(1,839)</u>	<u>(1,747)</u>

Factors that may affect future tax charges

The standard rate of corporation tax in the UK changed from 26% to 24% with effect from 1 April 2012. Accordingly, the company's profits for this accounting period are taxed at an effective rate of 25.5%.

There is no deferred tax balance as there are no temporary differences between the accounting loss and the loss for taxation purposes.

Gondola Finance 2 Limited

Notes to the Financial Statements for the 53 weeks ended 1 July 2012

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8 Fixed asset investments

Shares in group undertakings and participating interests

**Subsidiary
undertakings
£ 000**

Cost and Net book value

At 26 June 2011 and 1 July 2012

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Gondola Finance 2 Limited

Notes to the Financial Statements for the 53 weeks ended 1 July 2012

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The directors believe that the carrying value of the investments is supported by their underlying net assets

Details of undertakings

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows

Undertaking	Holding	Proportion of voting rights and shares held	Principal activity
Subsidiary undertakings			
Gondola Acquisitions Limited*	Ordinary shares	100%	Investment Company
Gondola Holdings Limited	Ordinary shares	100%	Investment Company
PizzaExpress Holdings Limited	Ordinary shares	100%	Holding Company
Byron Hamburgers Limited	Ordinary shares	100%	Operation of restaurants
ASK Central Limited	Ordinary shares	100%	Holding Company
PizzaExpress (Franchises) Limited	Ordinary shares	100%	Management of international franchise operations
Gondola Investments Limited	Ordinary shares	100%	Investment Company
ASK Restaurant Limited	Ordinary shares	100%	Operation of restaurants
Gondola Finance Limited	Ordinary shares	100%	Investment Company
Risposte Limited	Ordinary shares	100%	Investment Company
PandoraExpress 2 Limited	Ordinary shares	100%	Holding Company
PandoraExpress 3 Limited	Ordinary shares	100%	Holding Company
PandoraExpress 4 Limited	Ordinary shares	100%	Holding Company
Gondola Express PLC	Ordinary shares	100%	Non-trading Company
PizzaExpress (Restaurants) Limited	Ordinary shares	100%	Operation of restaurants
Bookcash Trading Limited	Ordinary shares	100%	Operation of restaurants
PizzaExpress (Wholesale) Limited	Ordinary shares	100%	Manufacture and supply of dough
PizzaExpress Merchandising Limited	Ordinary shares	100%	Sale of PizzaExpress branded merchandise
Al Rollo Limited	Ordinary shares	100%	Operation of restaurants
Agenbite Limited	Ordinary shares	100%	Operation of restaurants
PizzaExpress (Jersey) Limited	Ordinary shares	100%	Operation of restaurants

Gondola Finance 2 Limited

Notes to the Financial Statements for the 53 weeks ended 1 July 2012

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PizzaExpress Asia Ordinary shares	100%	Holding company
Holdings Private Limited		

* Shares directly held

All subsidiaries other than Agenbite Limited, PizzaExpress Asia Holdings Private Limited and PizzaExpress (Jersey) Limited are unlisted and are registered and operate in England and Wales. PizzaExpress (Jersey) Limited is incorporated and operates in Jersey, Channel Islands, Agenbite Limited is incorporated and operates in Ireland and PizzaExpress Asia Holdings Private Limited is incorporated and operates in Singapore.

9 Debtors

	1 July 2012 £ 000	26 June 2011 £ 000
Amounts owed by group undertakings	382,784	356,347
Other debtors	52	65
	<u>382,836</u>	<u>356,412</u>

Amounts owed by group undertakings accrue interest at 4 percent per annum and are repayable on demand

Gondola Finance 2 Limited

Notes to the Financial Statements for the 53 weeks ended 1 July 2012

..... *continued*

10 Creditors Amounts falling due within one year

	1 July 2012 £ 000	26 June 2011 £ 000
Amounts owed to group undertakings	345,262	317,561
Accruals and deferred income	235	178
	<u>345,497</u>	<u>317,739</u>

Amounts owed to group undertakings accrue interest at 4 per cent per annum and are repayable on demand

11 Creditors: Amounts falling due after more than one year

	1 July 2012 £ 000	26 June 2011 £ 000
Bank loans and overdrafts	<u>74,319</u>	<u>70,266</u>

On 22 December 2006 the company entered into a Mezzanine Facility agreement with The Bank of Scotland plc to borrow £60.0 million. Interest accrues at 10.25% over LIBOR.

Interest accruing at 6.25% is payable on maturity. The agreement deems that this interest is capitalised and becomes part of the principal outstanding at the end of the interest periods applying to the cash interest payments. The remaining interest, being 4% over LIBOR, is payable in arrears over periods of one, three or six months at the option of the Group. The maturity date of the loan is July 2016.

Interest capitalised into the principal of the loan at 1 July 2012 was £13.3 million (2011: £9.9 million). In addition £1.8 million (2011: £1.0 million) represented accrued interest due to be capitalised into the principal (ie. not cash paid) prior to deduction of the unamortised issue costs.

The initial issue costs of the mezzanine debt totalled £1.9 million, which are being amortised over the period from drawdown of the loan to the maturity dates. Further issue costs of £0.5 million were incurred during the year, which are also being amortised over the period to the maturity date. At 1 July 2012, the unamortised cost was £0.8 million (2011: £0.7 million).

The total amount outstanding, including accrued cash interest and excluding unamortised issue costs as at 1 July 2012 was £75.4 million (2011: £71.1 million).

Gondola Finance 2 Limited

Notes to the Financial Statements for the 53 weeks ended 1 July 2012

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12 Called up share capital

Allotted and fully paid shares

	1 July 2012		26 June 2011	
	Number	£	Number	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

13 Profit and loss account

	Profit and loss account £ 000
At 27 June 2011	(31,403)
Loss for the financial period	<u>(5,373)</u>
At 1 July 2012	<u>(36,776)</u>

14 Reconciliation of movements in shareholders' deficit

	53 weeks ended 1 July 2012 £ 000	52 weeks ended 26 June 2011 £ 000
Loss for the financial period	<u>(5,373)</u>	<u>(4,605)</u>
Net reduction to shareholders' funds	(5,373)	(4,605)
Shareholders' deficit at start of period	<u>(31,403)</u>	<u>(26,798)</u>
Shareholders' deficit at end of period	<u>(36,776)</u>	<u>(31,403)</u>

Gondola Finance 2 Limited

Notes to the Financial Statements for the 53 weeks ended 1 July 2012

..... continued

15 Contingent liabilities

On 22 December 2006 the company and certain of the company's fellow subsidiaries, subsidiary and parent undertakings (together the "Senior and Mezzanine Guarantors") became guarantors to a Senior Credit Facilities Agreement and a Mezzanine Facility Agreement (together the "Agreements") between the Company, Gondola Acquisitions Limited (a subsidiary undertaking) and The Bank of Scotland plc

The amounts outstanding at the balance sheet dates for these loans were £487.5 million (2011 £511.6 million) under the Senior Facilities and £75.4 million (2011 £71.1 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

16 Cash flow statement

The company has taken advantage of the exemption provided by Financial Reporting Standard 1 (revised 1996) not to produce a cash flow statement on the grounds that a consolidated cash flow is produced by its ultimate parent company Gondola Group Limited

17 Related party transactions

The company is exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Gondola Group Limited group

Gondola Finance 2 Limited

Notes to the Financial Statements for the 53 weeks ended 1 July 2012

..... continued

18 Ultimate parent undertakings

The immediate parent company of Gondola Finance 2 Limited is Gondola Finance 1 Limited. Gondola Finance 2 Limited is an indirect subsidiary of Gondola Group Limited, a limited company under the laws of England and Wales and the smallest and largest group for which consolidated financial statements are prepared. The financial statements of Gondola Group Limited are available from the Company Secretary, 5th Floor, 2 Balcombe Street, London, NW1 6NW.

At 1 July 2012 the Company's ultimate parent undertakings were Fourth Cinven Fund (No 1) LP, Fourth Cinven Fund (No 2) LP, Fourth Cinven Fund (No 3 - VCOC) LP, Fourth Cinven Fund (No 4) LP, Fourth Cinven Fund (UBTI) LP, Fourth Cinven Fund Co-Investment Partnership, Fourth Cinven (MACIF) Partnership and Fourth Cinven Fund FCPR (together the 'Cinven Funds'), being funds managed and advised by Cinven Limited, a company incorporated under the laws of England and Wales.

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