PandoraExpress 1 Limited
(Registered Number 04688642)

Annual Report

Period Ended 27 June 2004

PandoraExpress Limited

Contents

Report of the Directors

The directors have pleasure in presenting their first annual report on the affairs of PandoraExpress 1 Limited (the "Company") and its subsidiaries (together the "Group") together with the audited financial statements for the period ended 27 June 2004.

Results and dividends

The results for the period ended 27 June 2004 are set out in the Group profit and loss account on page 4. The directors do not recommend the payment of a final dividend, leaving retained losses of £18.9m to be transferred from reserves.

Principal activities and review of the business

The Company was incorporated on 6 March 2003, and commenced trading on 18 June 2003. On 17 March the company changed its name from Trushelfco (no. 2937) Limited to GondolaExpress Limited and on 24 March 2003 changed its name to PandoraExpress 1 Limited.

Throughout the period, the principal activities of the Group are operating restaurants, franchising restaurants and the wholesale and retail sale of food and beverages.

For the purpose of this annual report, references to "TDR Capital" are to funds managed by TDR Capital LLP, and references to "Capricorn" shall include Capricorn Ventures International Limited and its subsidiaries CV1 Limited and CV2 Limited.

During the period 1 July 2002 to 18 June 2003, PizzaExpress Limited (formerly PizzaExpress plc) was listed on the London Stock Exchange. On 18 June 2003, TDR Capital and Capricorn acquired an indirect, controlling interest in PizzaExpress Limited in a public to private transaction for £253.1m, through the bid vehicle, GondolaExpress PLC, a subsidiary of the Company. Trading in PizzaExpress Ltd shares on the London Stock Exchange ceased on 17 July 2003. PizzaExpress Ltd re-registered as a private limited company on 30 September 2003.

With effect from 1 July 2003, the Group sold its investment in PizzaExpress BV, an overseas holding company investing in Marzano branded restaurants in Europe, to PandoraExpress SARL (a fellow subsidiary of the Group's ultimate parent undertaking), in order to focus on the PizzaExpress operation.

Post Balance Sheet Events

On 1 July 2004, GondolaExpress PLC, sold its investment in PizzaExpress Ltd to ASK Central PLC for £361.1m. ASK Central PLC is a fellow subsidiary undertaking of PandoraExpress LP, the Company's ultimate parent undertaking. PandoraExpress LP is a UK limited partnership, whose limited partners are TDR Capital and Capricorn.

Directors and their interests

The directors who held office during the period and up to the date of signing these accounts are as follows:

Manjit Dale (appointed 27 March 2003)
Robert 't Hooft (appointed 27 March 2003)
Charles Luyckx (appointed 27 March 2003)
Stephen Robertson (appointed 27 March 2003)
Timothy Bowley (appointed 12 March 2003; resigned 27 March 2003)
Andrew Gareth Ryde (appointed 12 March 2003; resigned 27 March 2003)
Louise Jane Stoker (appointed 6 March 2003; resigned 12 March 2003)
Eleanor Jane Zuercher (appointed 6 March 2003; resigned 12 March 2003)

According to the register required to be kept under Section 325 of the Companies Act 1985, no Director had, either at the beginning or the end of the period ended 27 June 2004, any interest in the shares of the company or any other group company which is required to be notified to the company. For this purpose the Directors are exempt from notifying the company of interest in the shares of a body incorporated outside Great Britain.

The interests of the directors in the ordinary share capital of Gondola Group Limited, a subsidiary of the ultimate parent undertaking and the largest group for which consolidated accounts are prepared (the "Group") are shown in the annual report of that Company.

Employees

Employees of group companies are encouraged to participate in the success of the business through incentive schemes. Progress is regularly communicated to the management of subsidiary companies and all management and employees are expected to communicate fully within their own area of responsibility. Where reasonable and practicable within existing legislation, all persons, including disabled persons and employees that have become disabled, have been treated in the same way in matters relating to employment, training, career development and promotion.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period give a true and fair view of the state of affairs of the Company as at the end of the financial period and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

Auditors

PricewaterhouseCoopers LLP having been appointed as auditors by the Directors during the period, offer themselves for reappointment at the forthcoming annual general meeting.

By order of the Board

Charles Luyckx
Secretary
3 November 2005

Independent Auditors' Report to the members of PandoraExpress 1 Limited

We have audited the financial statements which comprise the group profit and loss account, the balance sheets, the group cash flow statement, the statement of group total recognised gains and losses, the reconciliation of movements in group shareholders' funds and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands is may come, save where expressly agreed by our prior consent and in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the report of the directors is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in this annual repot and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 27 June 2004 and of the loss and cash flows of the Group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
3 November 2005

Group Profit and Loss Account
for the period ended 27 June 2004

	Notes		2004 £m
Group turnover – acquired operations	2,3		
- Continuing operations			11.4
- Discontinued operations			218.3
Total group turnover			**229.7**
Cost of sales	3		(176.2)
Gross profit	3		**53.5**
Administrative expenses (excluding exceptional costs)		(19.0)	
Exceptional administrative costs – continuing operations		(0.4)	
Administrative expenses	3		(19.4)
Group operating profit – acquired operations	3		
- Continuing operations			(8.2)
- Discontinued operations			42.3
Total group operating profit			**34.1**
Profit on disposal of fixed assets	4		0.8
Profit on ordinary activities before interest and taxation			**34.9**
Net interest payable	7		(48.5)
Loss on ordinary activities before taxation			**(13.6)**
Taxation on loss on ordinary activities	8		(2.2)
Loss on ordinary activities after taxation			**(15.8)**
Minority interests	19		(3.1)
Loss for the financial period	15		**(18.9)**

Group statement of total recognised gains and losses
for the period ended 27 June 2004

	Notes	2004 £m
Loss for the financial period		**(18.9)**
Currency translation differences		0.2
Total recognised gains and losses for the period		**(18.7)**

The notes on pages 8 to 21 form an integral part of these financial statements.

Group and Company Balance Sheets
as at 27 June 2004

	Notes	Group 2004 £m	Company 2004 £'000
Fixed assets			
Investments	12	-	12.5
Goodwill	10	133.8	-
Tangible assets	11	134.4	-
		268.2	12.5
Current assets			
Stocks	13	9.1	-
Debtors	14	12.3	-
Cash at bank and in hand		46.8	-
		68.2	-
Creditors: amounts falling due within one year	15	(323.1)	-
Net current liabilities		(254.9)	-
Total assets less current liabilities		13.3	12.5
Provisions for liabilities and charges	16	(15.9)	-
Net (liabilities)/assets		(2.6)	12.5
Capital and reserves			
Called up share capital	17	-	12.5
Profit and loss account	18	(18.7)	-
Total shareholder's (deficit)/funds		(18.7)	12.5
Minority interests	19	16.1	-
Total capital employed		(2.6)	12.5

The financial statements on pages 4 to 21 were approved by the Board of Directors on 3 November 2005 and were signed on their behalf by ~~Manjit Da~~le.

The notes on pages 8 to 21 form an integral part of these financial statements.

Group Cash Flow Statement
for the period ended 27 June 2004

	Notes	2004 £m
Net cash inflow from operating activities	21 (a)	**48.7**
Returns on investments and servicing of finance		
Bank interest received		**0.6**
Bank interest paid		**(8.3)**
Issue costs on raising of debt		**(17.2)**
Payments to warrant holders		**(2.0)**
Net cash outflow from returns on investment and servicing of finance		**(26.9)**
Taxation paid		**(4.9)**
Capital expenditure and financial investment		
Purchase of tangible fixed assets		**(8.6)**
Sale of tangible fixed assets		**8.8**
Net cashflow from capital expenditure and financial investment		**0.2**
Acquisitions and disposals		
Payments to acquire subsidiary undertakings		**(253.1)**
Net cash disposed with non-core operations and restaurants		**(0.5)**
Cash acquired on acquisition of PizzaExpress		**22.7**
Net cash outflow from investing activities		**(230.9)**
Net cash outflow before use of liquid resource and financing		**(213.8)**
Management of liquid resources		
Decrease in short term deposits with banks	21 (c)	**0.5**
Financing		
Issue of Medium Term bank loans		**190.0**
Issue of Deep Discount Bonds		**100.0**
Repayment of Medium Term bank loans		**(2.5)**
Repayment of Deep Discount Bonds		**(26.8)**
Redemption of loan notes		**(0.9)**
Sale of own shares by PizzaExpress		**0.3**
Net cash inflow from financing		**260.1**
Increase in cash	21 (b)	**46.8**

Reconciliation of Movements in Group Shareholders' Funds
for the period ended 27 June 2004

	2004 £m
Loss on ordinary activities after taxation	**(18.9)**
Share capital issued	-
Currency translation differences	**0.2**
Net decrease in shareholders' funds	**(18.7)**
Opening shareholders' funds	-
Closing shareholders' deficit	**(18.7)**

1 Accounting Policies (for the period ended 27 June 2004)

The financial statements for the Group and Company have been prepared on a going concern basis, under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom. The most significant accounting policies are described below.

Consolidation

The consolidated balance sheets include all the assets and liabilities of the subsidiaries including those acquired during the period. The Group profit on ordinary activities after taxation includes only that proportion of the results arising since the effective date of control to the period end or, in the case of undertakings or interests disposed of, from the beginning of the period to the date of disposal.

All transactions between the Group's businesses have been eliminated in the preparation of the consolidated financial information.

Turnover

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

Rental Income

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

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 life on a straight-line basis:

Plant	20% per annum
Fixtures	10% per annum
Motor vehicles	25% per annum
IT equipment	20-33% per annum

Short leasehold properties are depreciated over the length of the lease except where the anticipated renewal or extension of the lease is sufficiently certain so that a longer estimated useful life is appropriate. Current legislation and the terms of the lease contracts are such that all of the leases are readily extendible by an additional 14 years. The maximum depreciation period for short term leasehold properties is 30 years.

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

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

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

Impairment of fixed assets

The carrying values of fixed assets are reviewed for impairment 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.

Pre-opening costs

Pre-opening costs are expensed as incurred.

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 where transactions or events have occurred at that date that 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 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.

Goodwill

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

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

Foreign currency transactions

Transactions denominated in foreign currencies are recorded at spot rate at the date of the transaction. Foreign currency assets and liabilities 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 income on a straight line basis over the term of the lease.

Landlord contributions

Contributions received from landlords as an incentive to enter into a lease are treated as deferred income within creditors, and are released to the profit and loss account.

Pension costs

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

Cash and liquid resources

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

Liquid resources includes short-term deposits 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).

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

Volume related rebates receivable from suppliers are credited to the carrying value of the stock to which they relate. Where a rebate agreement with a supplier covers more than one year the rebates are recognised in the accounts in the period in which they are earned.

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 currency risk are forward rate contracts.

Forward currency contracts entered into with respect to trading transactions are accounted for as hedges, with the instruments' impact on profit not recognised until the underlying transaction is recognised in the profit and loss account.

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

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

Investments

Joint ventures are undertakings in which the group has a long term participating interest and which are jointly controlled by the Group and one or more other parties. Interests in joint ventures are stated in the consolidated balance sheet at the Group's share of their aggregate assets and liabilities.

Investments, other than joint ventures, are held at cost less any provisions for impairment.

Employee share incentive schemes

The intrinsic value (the difference between the market price and exercise price at the date of grant) of employee share schemes is charged as an operating cost over the period of performance of the employee in respect of which rights to acquire the shares are granted. The effect of uncertainty as to whether any performance criteria will be met is dealt with by estimating the probability of the shares vesting.

Cost of own shares

The cost of own shares held as treasury shares are deducted from shareholders' funds within the profit and loss account reserve.

Any profit or loss on the disposal of own shares is treated as a movement in reserves rather than as a profit or loss item.

Notes to the Financial Statements

2 Segmental analysis

a) Geographical sector analysis

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

b) Business sector analysis

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

3 Turnover and operating profit – acquired operations

	Continuing operations	Discontinued operations	Total acquired opertions
	£m	£m	£m
Turnover	11.4	218.3	229.7
Cost of sales	(11.5)	(164.7)	(176.2)
Gross profit	(0.1)	53.6	53.5
Administrative expenses	(8.1)	(11.3)	(19.4)
Operating profit	(8.2)	42.3	34.1

The discontinued operations related to the overseas operations of PizzaExpress for the period from acquisition to 30 June 2003, when the operations were disposed and the operations of PizzaExpress Limited and PizzaExpress (Restaurants) Limited, which were sold to a fellow subsidiary of the Company's ultimate parent undertaking, ASK Central Limited on 1 July 2004.

4 Non-operating exceptional items

In the period the Group disposed of some tangible fixed assets previously fully provided against for proceeds of £0.8m.

5 Operating profit

Operating profit is stated after charging:

	2004 £m
Amortisation of goodwill	7.3
Depreciation of owned tangible fixed assets:	
-plant, fixtures and motor vehicles	5.5
-short and long leasehold premises	5.3
-freehold properties	0.1
Operating lease rentals	
- hire of plant, machinery and motor vehicles	0.6
- short leasehold premises	19.7
Auditors' remuneration:	
- parent company audit fee	-
- group audit fees	0.1
Exceptional costs	
- Reorganisation	0.4

The exceptional reorganisation costs arose from the restructuring of the PizzaExpress head office.

6 Employees and directors

	2004 £m
a) Employee costs:	
Wages and salaries	69.6
Social security costs	8.6
	78.2

b) Employee numbers

The average number of persons employed by the Group during the year was:

Restaurants and distribution	7,175
Administration	126
	7,301

c) Directors' remuneration:

No Directors received any remuneration from the company is respect of their roles as directors.

The Group does not operate a defined benefit pension scheme. Directors are responsible for their own pension arrangements and any contributions by them are made directly into these schemes.

No directors had any interests in any options for shares in the Company.

7 Net interest payable

	2004 £m
Interest payable on bank loans and overdrafts	
- Loan notes – secured	0.1
- Bank loans – senior facilities	9.2
- Bank loans - mezzanine facility	5.8
- Deep Discount Bonds	13.8
Interest payable to fellow subsidiary undertaking	0.8
Amortisation of fees paid in relation to debt financing	17.2
Other interest payable	2.2
	49.1
Group interest receivable	(0.6)
Net interest payable and similar charges	48.5

8 Taxation

	2004 £m
United Kingdom	
- Corporation taxation at 30% (2003 : 30%)	0.3
- Under provision in respect of prior years	0.2
	0.5
Overseas taxation	
- Corporation taxes	0.2
Total current tax	0.7
Deferred tax – UK	
- Origination and reversal of timing differences	1.5
Total deferred tax (note 16)	1.5
Tax on loss on ordinary activities	2.2

The tax for the period is higher than the standard rate of corporation tax in the UK of 30%. The differences are explained below:

	2004 £m
Loss on ordinary activities before tax	(13.6)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 30%	(4.1)
Effects of:	
Expenses not deductible for tax purposes	3.3
Under provision in respect of prior years	0.2
Losses carried forward not recognised	2.8
Capital allowances in excess of depreciation	(1.5)
	0.7

In the opinion of the directors, there are no other factors that would substantially affect the Group's tax charge in future years.

9 Profit of the parent undertaking

In accordance with the exemption allowed by Section 230(1)(b)(4) of the Companies Act 1985 the Company has not presented its own profit and loss account. The Company's profit on ordinary activities after taxation was £nil.

10 Intangible assets - Goodwill

Group	**£m**
Cost	
Goodwill arising on acquisition of PizzaExpress (note 20)	141.1
At 27 June 2004	**141.1**
Amortisation	
Charge in the period	7.3
At 27 June 2004	**7.3**
Net book value at 27 June 2004	**133.8**

Goodwill is being amortised over 20 years. The directors of the company believe that this is appropriate based on a review of the expected future cash flows of the group, that the PizzaExpress business is a long standing operation and that the group has growth opportunities in the future.

11 Tangible fixed assets

Group	Assets under Construction £m	Freehold properties £m	Long leaseholds £m	Short leaseholds £m	Plant, fixtures, motor vehicles and IT equipment £m	Total £m
Cost						
On acquisition of PizzaExpress at fair value	0.9	8.3	2.6	112.5	21.1	145.4
Additions	7.8	-	-	0.4	1.4	9.6
Transfers	(7.5)		0.1	5.5	1.9	-
Disposals	-	(7.2)	(1.0)	(0.6)	(0.9)	(9.6)
At 30 June 2004	1.2	1.1	1.7	117.8	23.5	145.3
Depreciation						
Charge for the period	-	(0.1)	(0.1)	(5.2)	(5.5)	(10.9)
At 30 June 2004	-	(0.1)	(0.1)	(5.2)	(5.5)	(10.9)
Net book value						
At 30 June 2004	**1.2**	**1.0**	**1.6**	**112.6**	**18.0**	**134.4**

Capital expenditure contracted but not provided as at 30 June 2004 was less than £50,000.

12 Fixed asset investments

	Subsidiary undertakings £'000
Company	
Investment in subsidiary undertaking – acquisition in the period	12.5
At 27 June 2004	**12.5**

Subsidiary undertakings

The Company's principal subsidiary undertakings at 30 June 2004 are

	Principal activity	Country or incorporation	Proportion of ordinary voting share held
PizzaExpress (Restaurants) Limited	Restaurateur	UK	100
PizzaExpress (Wholesale) Limited	Distribution	UK	100
PizzaExpress (Merchandising) Limited	Branded Sales	UK	100
Agenbite Limited	Restaurateur	Ireland	100
PizzaExpress (Jersey) Limited	Restaurateur	Jersey	100
Bookcash Trading Limited	Restaurateur	UK	100
Café Pasta Limited	Restaurateur	UK	100
PandoraExpress 2A Limited	Restaurateur	UK	100
PizzaExpress (Franchises) Limited	Franchising	UK	100
PizzaExpress Limited	Restaurateur	UK	89.5
GondolaExpress PLC	Holding Company	UK	100
PandoraExpress 2 Limited	Holding Company	UK	100
PandoraExpress 3 Limited	Holding Company	UK	100
PandoraExpress 4 Limited	Holding Company	UK	100

On acquisition the PizzaExpress Limited group held a 50% joint venture in Mod Apparels PVTT Limited, a company operating restaurants and incorporated in India. The interest in the joint venture was disposed of to PandoraExpress SARL on 1 July 2003. The joint venture was fair valued on acquisition at £nil.

13 Stocks

	Group 2004 £m	Company 2004 £m
Raw materials and consumables	9.1	-

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

14 Debtors

	Group 2004 £m	Company 2004 £m
Trade debtors	3.8	-
Amounts owed by ultimate parent undertaking	0.3	-
Other debtors	0.4	-
Corporation tax	0.8	-
Prepayments and accrued income	7.0	-
	12.3	-

15 Creditors: amounts falling due within one year

	Group 2004 £m	Company 2004 £m
Bank loans	241.0	-
Trade creditors	15.4	-
Amounts owed to fellow subsidiary undertakings	41.3	-
Other creditors	4.8	-
Other taxation and social security	9.1	-
Accruals and deferred income	11.5	-
	323.1	-

All bank loans and accrued interest were repaid on 1 July 2004 and have therefore been categorised in amounts falling due within one year.

16 Provisions for liabilities and charges

Deferred taxation

	Group £m
Acquired on acquisition of PizzaExpress Limited	14.4
Transfer from profit and loss account	1.5
At 30 June 2004	15.9

All deferred tax balances relate to accelerated capital allowances.

17 Called up share capital

	2004 £
Authorised	
Equity	
50,100 ordinary shares of £1 each	**50,100**
Allotted, issued and fully paid	
Equity	
12,500 ordinary shares of £1 each	**12,500**

12,500 ordinary shares were issued during the period for net consideration of £12,500.

Warrants

On 1 July 2003 warrants for the purchase of 942 D shares in PandoraExpress 3 Limited, a subsidiary of PandoraExpress 1 Limited, were issued to third parties being Uberior Investments PLC and Hutton Collins Mezzanine Partners LP

The warrants were exercisable on a Listing or a sale of any issued share capital of PandoraExpress 1 Limited, PandoraExpress 2 Limited or PandoraExpress 3 Limited.

The warrants became exercisable on 30 June 2004, on the sale of PandoraExpress 1 Limited to Gondola Group Limited.

As at 26 June 2005, the warrants had not been exercised.

18 Reserves

Group	Profit and loss account £m
Retained loss for the period	**(18.7)**
At 27 June 2004	**(18.7)**

19 Minority Interests

Group	Equity £m
Arising on acquisition of PizzaExpress	**13.0**
Profit for the period	**3.1**
At 27 June 2004	**16.1**

The minority interests arise from the 10.4% holding by various minority shareholders in PizzaExpress Ltd

20 Acquisitions

On 18 June 2003 TDR Capital and Capricorn acquired an indirect, controlling interest (being approximately 89.4% of the issued share capital) in PizzaExpress in a public to private transaction for approximately £253.1 million through a bid vehicle, GondolaExpress PLC. GondolaExpress PLC is a indirectly 100% owned subsidiary of PandoraExpress 1 Limited. At the time of the acquisition, PandoraExpress 1 Limited was a direct subsidiary of PandoraExpress LP, the ultimate controlling party.

The PizzaExpress Acquisition has been accounted for as an acquisition. The total adjustments required to the book values of the assets and liabilities acquired in order to present them at fair value in accordance with the group's accounting policies was £16.8million, details of which are set out below, together with the amount of goodwill arising:

	Book value	Revaluation	Total Fair Value
	£m	£m	£m
Intangible fixed assets	0.4	(0.4)	-
Fixed assets	162.1	(16.7)	145.4
Other investments	0.9	(0.9)	-
Stock	9.2	-	9.2
Debtors	9.4	-	9.4
Cash	23.2	-	23.2
Creditors due within one year	(47.1)	(0.7)	(47.8)
Provisions	(16.3)	1.9	(14.4)
Total	141.8	(16.8)	125.0
Less : fair value of minority interests (note 19)			(13.0)
Less : Total purchase consideration – cash paid			(253.1)
Goodwill (note 10)			**(141.1)**

The book values of the assets and liabilities were taken from the management accounts of PizzaExpress at 18 June 2003, the date of the acquisition.

The intangible fixed asset existing on acquisition is the goodwill which arose from the acquisition of Bookcash Trading Limited in 2002. This goodwill of £0.4million, arising on consolidation, is eliminated in the acquisitions table above.

At the date of the PizzaExpress Acquisition a fair valuation exercise was completed on all overseas subsidiaries of PizzaExpress B.V, a subsidiary of PizzaExpress Limited. These companies were consequently sold to PandoraExpress SARL, a related party company, at a nil value. As a result the fair value of the tangible fixed assets and working capital were adjusted to £nil. The resultant fair value adjustments were £5.5million to tangible fixed assets and £0.7million to working capital, shown against creditors in the table above.

At the date of the PizzaExpress Acquisition a fair valuation exercise was completed on all other investments held within the group. These investments were subsequently sold to PandoraExpress SARL, a related party company, at a nil value. As a result the fair value of the other investments were adjusted to £nil. The resultant fair value adjustment was £0.9million shown in the table above.

At the date of the PizzaExpress Acquisition a fair valuation exercise was completed on all Café Pasta branded restaurants, owned by Café Pasta Limited, which at that time was a subsidiary of PizzaExpress Limited. Given the losses generated by the Café Pasta Limited, and the expected continuing losses, the fair value of the tangible fixed assets were adjusted to the net realisable value which was £nil. The resultant fair value adjustment to tangible fixed assets was £9.6million.

At the date of the PizzaExpress Acquisition a fair valuation exercise was completed on all remaining PizzaExpress Limited owned restaurants. From this exercise 15 loss making restaurants were considered to be impaired. A fair value adjustment to tangible fixed assets of £3.9million was made as a result.

Subsequent to the PizzaExpress Acquisition the group completed a series of sale and leaseback transactions of all freehold and long leasehold interests. PizzaExpress made profits on these transactions and these profits have been reflected in the fair values of the assets acquired, resulting in a total fair value adjustment to tangible fixed assets of £3.5million.

During the period ended 27 June 2004, PizzaExpress Limited disposed of other tangible fixed assets for a loss of £1.2million. These losses were reflected in the fair value of the assets acquired, resulting in a fair value adjustment to tangible fixed assets of £1.2million.

The fair value adjustment recorded to provisions relates to the associated deferred tax asset arising on the impairment of the tangible fixed assets.

Disposal of PizzaExpress B.V

With effect from 1 July 2003, the group disposed of PizzaExpress BV to PandoraExpress SARL, a related party company for £nil consideration. The fair value of the assets and liabilities of these businesses on acquisition was £nil, resulting in a £nil profit on disposal.

Disposal of other investments

With effect from on 1 July 2003, the group disposed of its minority shareholding in a number of overseas franchisees to PandoraExpress SARL, a related party company for £nil consideration. The fair value of these investments was £nil, resulting in a £nil profit on disposal.

21 Notes to group cash flow statement

a Reconciliation of operating profit to operating cash flows

	2004 £m
Group operating profit	34.1
Depreciation	10.9
Amortisation	7.3
Increase in stocks	(0.1)
Increase in debtors	(2.8)
Increase in creditors	2.3
Net cash inflow from operating activities	48.7

The cash outflow from operating exceptional items in the year is £5.1million.

b Reconciliation of net cash flow to movement in net funds

	2004 £m
Increase in cash in period	46.8
Cash inflow from increase in debt	(260.7)
Non cash changes	(21.6)
Change in net funds resulting from cash flows	(235.5)

c Analysis of changes in net funds

	On acquisition of PizzaExpress £m	Cash flow £m	Non cash changes £m	27 June 2004 £m
Cash at bank and in hand	22.7	24.1	-	**46.8**
Loan notes due within one year	(0.9)	0.9	-	**-**
Loan notes due to related party	-	-	(41.3)	**(41.3)**
Liquid resources	0.5	(0.5)	-	**-**
Bank debt due within one year	-	(260.7)	19.7	**(241.0)**
Total	22.3	(236.2)	(21.6)	**(235.5)**

The figure for liquid resources is included in the figure for cash on the balance sheet.

The non cash changes in net debt arise from accrued interest of £8.1million included within loan notes due to related party and £13.5million included within bank loans. A further amount of £33.2million of deep discount bonds, included within bank debt, which were converted into loan notes due to related party on 18 May 2004.

22 Operating lease commitments

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

	2004 £m
Land and buildings:	
Within one year	**0.7**
In the second to fifth years inclusive	**1.5**
Over five years	**16.9**
	19.1
Other	
Within one year	**0.1**
In the second to fifth years inclusive	**0.4**
	0.5

23 Contingent liability

At the balance sheet date the Company was party to an unlimited guarantee given by certain subsidiaries of the group in respect of bank overdraft facilities.

On 1 July 2004, the Company and certain of its subsidiary undertakings, along with other subsidiary undertakings of the ultimate parent undertaking (together the "Senior Guarantors") became guarantors to a Senior Credit Facilitiies Agreement between Gondola Group Limited, Gondola Finance Limited and Riposte Limited (all subsidiary undertakings of the group's ultimate parent undertaking) and HSBC Bank PLC, Lehman Brothers Bankhaus AG and The Royal Bank of Scotland plc.

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

i) to each finance party the punctual performance of each borrower, guarantor and chargor (each an obligor) of all such obligor's obligations under the Senior Credit Facilities Agreement

ii) 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 it if was the principal obligor and

iii) 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 enforceable, invalid or illegal

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

At the date of signing of these accounts, it is intended that an application will be made by Gondola Holding plc (the proposed ultimate holding company of the Gondola Group Limited group) for admission to the Official List and to the London Stock Exchange. The terms of the Group's bank debt require that the debt is repaid on an Initial Public Offering.

On 20 October 2005, Gondola Holdings plc entered into a term and revolving credit facility of £400 million in aggregate (the "New Facility") the availability of which is conditional upon, amongst other things, the admission of Gondola Holdings plc's ordinary shares to the Official List. The New Facility is guaranteed by Gondola Group Limited and certain of its subsidiaries.

24 Related party transactions

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

Transactions with TDR Capital and Capricorn

A fee of £4.0 million was paid to Capricorn by GondolaExpress PLC in 2004 in respect of the PizzaExpress Acquisition. There is no amount outstanding as at the balance sheet date.

A fee of £4.0 million was paid to TDR Capital LLP by GondolaExpress PLC in 2004 in respect of the PizzaExpress Acquisition. There is no amount outstanding as at the balance sheet date.

Expenses totaling £30,036 have been reimbursed to TDR Capital LLP by GondolaExpress PLC in respect of services provided to the Group by TDR Capital LLP.

Expenses totaling £8,576 have been reimbursed to Capricorn by GondolaExpress PLC in respect of services provided to the Group by TDR Capital LLP.

In addition, deep discounted bonds have been issued to TDR Capital and Capricorn. These bonds were novated to ASK Central Limited on 18 May 2004.

Transactions with ultimate parent undertaking

In 2004 GondolaExpress PLC paid interest on a bank facility on behalf of PandoraExpress LP totaling £0.3 million. This amount remains outstanding at the balance sheet date.

Transactions with PandoraExpress SARL

With effect from 1 July 2003 the Group sold its investment in PizzaExpress B.V to PandoraExpress SARL for £nil consideration. PandoraExpress SARL is a subsidiary of the Group's ultimate parent undertaking.

25 Ultimate Parent Undertaking

At 27 June 2004 the Company's immediate and ultimate parent undertaking was PandoraExpress LP, a limited partnership organised under the laws of England and Wales. The directors consider that PandoraExpress LP is the group's ultimate parent undertaking.

The partnership interests in PandoraExpress LP are held by TDR Capital and Capricorn. Accordingly, the directors consider the Company's ultimate controlling parties to be TDR Capital and Capricorn

26 Post Balance Sheet Events

Since the balance sheet date, on 1 July 2004 ASK Central Limited, a fellow subsidiary of the ultimate parent undertaking, acquired the ordinary shares in PizzaExpress Limited from GondolaExpress PLC (being approximately 89.4% of the issued share capital).

As mentioned in Note 23, on 1 July 2004, certain companies within the Group became guarantors to certain Credit Facilities entered into by other subsidiary undertakings of the Group's ultimate parent undertaking.

On 20 October 2005, the group divested its investment in PandoraExpress 2A Limited and subsidiaries to the ultimate parent undertaking PandoraExpress LP. On the same date the warrants for shares in PandoraExpress 3 Limited were exercised.