

Registration number 01404552

PizzaExpress Limited

Directors' Report and Financial Statements

for the 53 Weeks Ended 1 July 2012

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PizzaExpress Limited
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PizzaExpress Limited
Company Information

Directors	N M Carter J D Freeman H J Smyth
Company secretary	J D Freeman
Registered office	Hunton House Highbridge Estate Oxford Road Uxbridge UB8 1LX
Independent Auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors First Point Buckingham Gate London Gatwick Airport Gatwick West Sussex RH6 0NT

PizzaExpress 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 weeks ended 1 July 2012

Directors of the company

The directors who held office during the period and up to the date of signing the financial statements,

M D Angela (resigned 3 July 2011)

N M Carter

J D Freeman - Company secretary and director

H J Smyth

S Easterbrook (appointed 31 October 2011 and resigned 14 September 2012)

Principal activities

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

Results and dividends

The company's profit for the year, after taxation, amounted to £2,001,667 (2011 £537,617)

The directors do not 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 are measured through the use of three key performance indicators being sales and profitability versus annual budget and the number of trading restaurants

Financial risks management

The company's activities expose it to financial risks being primarily liquidity risk

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

Financial instruments

The directors consider that the company's key financial instruments are cash and amounts due from/due to the parent companies, fellow group undertakings 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 cash at bank and in hand. This risk is not considered material and thus the company does not employ the use of hedging instruments. No financial exposure exists in relation to the intercompany balances as the interest on these balances is fixed at 4 per cent per annum. The directors will revisit the appropriateness of the policy should the company's operations change in size or nature

PizzaExpress Limited
Directors' Report for the 53 weeks ended 1 July 2012

..... *continued*

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.

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.

PizzaExpress Limited
Directors' Report for the 53 weeks ended 1 July 2012

..... continued

Reappointment of 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



J D Freeman
Company secretary and director

PizzaExpress Limited

Independent Auditors' Report to the Members of PizzaExpress Limited

We have audited the financial statements of PizzaExpress Limited for the 53 weeks 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 profit for the 53 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.

PizzaExpress Limited

**Independent Auditors' Report to the Members of
PizzaExpress Limited**

..... continued

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

PizzaExpress 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
Cost of sales		(23)	-
Administrative expenses		<u>(183)</u>	<u>(104)</u>
Operating loss	2	(206)	(104)
Interest receivable and similar income	4	16,724	3,470
Interest payable and similar charges	5	<u>(13,848)</u>	<u>(2,641)</u>
Profit on ordinary activities before taxation		2,670	725
Tax on profit on ordinary activities	6	<u>(668)</u>	<u>(187)</u>
Profit for the financial period	14	<u>2,002</u>	<u>538</u>

The results above derive wholly from continuing operations

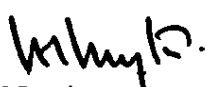
There is no material difference between the profits on ordinary activities before taxation and the retained profit for the periods stated above and their historical cost equivalents

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

PizzaExpress Limited
(Registration number: 01404552)
Balance Sheet as at 1 July 2012

	Note	1 July 2012 £ 000	26 June 2011 £ 000
Fixed assets			
Intangible assets	7	62	-
Tangible assets	8	125	157
Investments	9	941	941
		<u>1,128</u>	<u>1,098</u>
Current assets			
Debtors	10	447,348	381,006
Cash at bank and in hand		27,240	26,142
		<u>474,588</u>	<u>407,148</u>
Creditors Amounts falling due within one year	11	<u>(373,517)</u>	<u>(308,049)</u>
Net current assets		<u>101,071</u>	<u>99,099</u>
Total assets less current liabilities		102,199	100,197
Creditors Amounts falling due after more than one year	12	<u>(110)</u>	<u>(110)</u>
Net assets		<u>102,089</u>	<u>100,087</u>
Capital and reserves			
Called up share capital	13	7,179	7,179
Share premium account	14	61,869	61,869
Profit and loss account	14	33,041	31,039
Total Shareholders' funds	15	<u>102,089</u>	<u>100,087</u>

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


H J Smyth
Director

PizzaExpress 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 on a going concern basis, under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom and the Companies Act 2006. The following accounting policies have been consistently applied.

PizzaExpress Limited is exempt under Companies Act 2006 s400 from the obligation to prepare and deliver group accounts as it is a subsidiary undertaking of Gondola Group Limited, a company incorporated in Great Britain, which itself draws up consolidated financial statements.

Rental income

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

Tangible fixed assets and depreciation

Tangible fixed assets are stated at original historical cost less accumulated depreciation.

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

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

Asset class	Depreciation method and rate
Fixtures	10% per annum
IT equipment	20% per annum

Short leasehold improvements 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 extendable by 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.

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.

Intangible assets

Intangible fixed assets are trademarks for branding of the company's overseas franchised operations. These assets are valued at cost and reviewed on an annual basis for impairment.

PizzaExpress Limited

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

..... continued

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 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 underlying timing differences can be deducted, or where there are deferred tax liabilities against which assets can be recovered

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

Foreign currency

Transactions denominated in foreign currencies are recorded at spot rate at the date of transaction. Monetary 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 or loss account.

Leasing

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.

Fixed asset investments

Investments are held at cost less any provisions for impairments

2 Operating loss

Operating loss is stated after charging

	53 weeks ended 1 July 2012 £ 000	52 weeks ended 26 June 2011 £ 000
Operating leases - other assets	744	109
Foreign currency losses	130	-
Depreciation of owned assets	45	76
Rent receivable	(743)	(118)

PizzaExpress Limited

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

..... continued

The audit fee for the company for the period was £6,000 (2011 £8,500). The auditors' remuneration is borne by and included within the accounts of PizzaExpress (Restaurants) Limited, a fellow subsidiary undertaking.

3 Particulars of employees

(a) The company had no employees during the period (2011 nil)

(b) No director received any remuneration from the company during the period (2011 £nil)

H J Smyth and N M Carter are directors of the intermediate parent company, Gondola Holdings Limited and are remunerated by that company. It is not possible to make an accurate apportionment of their emoluments in respect of each of the companies for which they are directors. The emoluments of J D Freeman and S J Easterbrook are paid by Pizza Express (Restaurants) Limited which makes no recharge to the group companies.

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.

4 Interest receivable and similar income

	53 weeks ended 1 July 2012 £ 000	52 weeks ended 26 June 2011 £ 000
Bank interest receivable	134	164
HMRC interest receivable	-	42
Group interest receivable	16,590	3,264
	<u>16,724</u>	<u>3,470</u>

5 Interest payable and similar charges

	53 weeks ended 1 July 2012 £ 000	52 weeks ended 26 June 2011 £ 000
Group interest payable	13,848	2,641
	<u>13,848</u>	<u>2,641</u>

PizzaExpress Limited

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

..... continued

6 Tax on profit on ordinary activities

	53 weeks ended 1 July 2012 £ 000	52 weeks ended 26 June 2011 £ 000
Current tax		
UK Corporation tax charge	668	187
Total current tax	<u>668</u>	<u>187</u>

A deferred tax asset relating to depreciation charged in excess of capital allowances claimed of £73,000 (2011 £92,000) has not been recognised due to uncertainty regarding when this asset will be recovered

Factors affecting current tax charge for the period

Tax on profit on ordinary activities for the period is lower than (2011 - lower than) 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
Profit on ordinary activities before taxation	2,670	725
Profit on ordinary activities multiplied by standard rate in the UK at 25.5% (2011 27.5%)	681	199
Capital allowances in excess of depreciation	(13)	(12)
Total current tax	<u>668</u>	<u>187</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%.

7 Intangible assets

	Trademarks £ 000
Cost	
At 27 June 2011	-
Additions	62
At 1 July 2012	<u>62</u>

PizzaExpress Limited

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

..... *continued*

8 Tangible fixed assets

	Freehold land and buildings £ 000	Office equipment £ 000	Total £ 000
Cost or valuation			
At 27 June 2011	41	2,232	2,273
Disposals	-	(1,380)	(1,380)
Intragroup transfer	-	22	22
At 1 July 2012	<u>41</u>	<u>874</u>	<u>915</u>
Accumulated depreciation			
At 27 June 2011	8	2,108	2,116
Charge for the period	-	45	45
Eliminated on disposals	-	(1,380)	(1,380)
Intragroup transfer	-	9	9
At 1 July 2012	<u>8</u>	<u>782</u>	<u>790</u>
Net book value			
At 1 July 2012	<u>33</u>	<u>92</u>	<u>125</u>
At 26 June 2011	<u>33</u>	<u>124</u>	<u>157</u>

9 Fixed asset investments

	1 July 2012 £ 000	26 June 2011 £ 000
Shares in group undertakings	<u>941</u>	<u>941</u>
Shares in group undertakings		
		Subsidiary undertakings £ 000
Cost and Net book value		
At 26 June 2011 and 1 July 2012		<u>941</u>

PizzaExpress Limited

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

..... *continued*

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			
PizzaExpress (Restaurants) Limited	Ordinary share capital	100%	Operation of pizza restaurants
PizzaExpress (Wholesale) Limited	Ordinary share capital	100%	Import and sale of tomatoes and the manufacture of dough
PizzaExpress (Merchandising) Limited	Ordinary share capital	100%	Sale of PizzaExpress branded products through third parties
Agenbite Ltd	Ordinary share capital	100%	Operation of pizza restaurants
PizzaExpress (Jersey) Limited	Ordinary share capital	100%	Operation of pizza restaurants
Al Rollo Limited	Ordinary share capital	100%	Operation of pizza restaurants

Agenbite Limited is a company incorporated in Ireland, PizzaExpress (Jersey) is a company incorporated in Jersey, Channel Islands. All other subsidiaries are unlisted and are registered and operate in England and Wales

10 Debtors

	1 July 2012 £ 000	26 June 2011 £ 000
Amounts owed by group undertakings	447,065	380,590
Other debtors	11	64
Prepayments and accrued income	272	352
	<u>447,348</u>	<u>381,006</u>

PizzaExpress Limited

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

..... continued

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

11 Creditors: Amounts falling due within one year

	1 July 2012	26 June 2011
	£ 000	£ 000
Trade creditors	-	11
Amounts owed to group undertakings	367,188	302,013
Other taxes and social security	6,290	5,985
Accruals and deferred income	39	40
	<u>373,517</u>	<u>308,049</u>

PizzaExpress Limited

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

..... continued

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

12 Creditors: Amounts falling due after more than one year

Allotted shares

	26 June 2011		27 June 2010	
	Number	£ 000	Number	£ 000
Deferred convertible shares of 5p each	2,200,000	110	2,200,000	110

The deferred convertible shares are interest free and have no fixed date of repayment. The fair value of the deferred convertible shares is estimated to approximate £110,000 (2011 £110,000)

The deferred convertible shares are held by certain current and previous employees of the company and were convertible to ordinary shares on a one for one basis two years after the date of issue provided the earnings per share have increased by at least RPI plus 5% per annum over the relevant period. These conditions were not met and hence the shares are no longer convertible into ordinary share capital. Deferred convertible shares have no voting rights and do not qualify for dividend payments.

13 Called up share capital

Allotted, called up and fully paid shares

	1 July 2012		26 June 2011	
	Number	£ 000	Number	£ 000
Ordinary Shares of £0.10 each	71,788,348	7,179	71,788,348	7,179

14 Reserves

	Share premium account £ 000	Profit and loss account £ 000	Total £ 000
At 27 June 2011	61,869	31,039	92,908
Profit for the financial period	-	2,002	2,002
At 1 July 2012	61,869	33,041	94,910

PizzaExpress Limited

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

..... continued

15 Reconciliation of movements in shareholders' funds

	53 weeks ended 1 July 2012 £ 000	52 weeks ended 26 June 2011 £ 000
Profit for the financial period	<u>2,002</u>	<u>538</u>
Net addition to shareholders' funds	2,002	538
Shareholders' funds at start of period	<u>100,087</u>	<u>99,549</u>
Shareholders' funds at end of period	<u>102,089</u>	<u>100,087</u>

PizzaExpress Limited

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

..... continued

16 Commitments

Operating lease commitments

As at 1 July 2012 the company had annual commitments under non-cancellable operating leases as follows

Operating leases which expire

	1 July 2012 £ 000	26 June 2011 £ 000
Land and buildings		
Within two and five years	<u>695</u>	<u>695</u>

17 Contingent liabilities

The company and certain of the company's fellow subsidiaries, subsidiary and parent undertakings (together the "Senior and Mezzanine Guarantors") are guarantors to a Senior Credit Facilities Agreement and a Mezzanine Facility Agreement (together the "Agreements") between Gondola Acquisitions Limited, Gondola Finance 2 Limited (parent undertakings of the company) 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

PizzaExpress Limited

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

..... continued

18 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

19 Related party transactions

The company is exempt under the terms of paragraph 3(c) of Financial Reporting Standard 8, 'Related Party Disclosure', from disclosing related party transactions with entities that are part of the Gondola Group Limited group

20 Ultimate parent undertakings

The immediate parent company of PizzaExpress Limited is Gondola Investments Limited, 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 accounts of Gondola Group Limited are available from the Company Secretary, 5th Floor, 2 Balcombe Street, London, NW1 6NW

At 1 July 2012 Gondola Group Limited'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 and Fourth Cinven (MACIF) LP (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