

**GONDOLA HOLDINGS
LIMITED** (formerly GONDOLA
HOLDINGS PLC)

Annual Report and Financial
Statements

52 weeks ended 1 July 2007

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REGISTRATION NUMBER: 05566787

GONDOLA HOLDINGS LIMITED (formerly GONDOLA HOLDINGS PLC)

Annual report and financial statements for the period ended 1 July 2007

Directors H Smyth
 N Carter

Secretary N Carter

Registered Office 20 High Street, St Albans, Herts AL3 4EL

Company Number 05566787

Auditors PricewaterhouseCoopers LLP, Chartered Accountants and Registered Auditors, First
Point, Buckingham Gate, Gatwick, RH6 0PP

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GONDOLA HOLDINGS LIMITED (formerly GONDOLA HOLDINGS PLC)

Report of the Directors

The directors present their report together with the audited financial statements for the 52 weeks ended 1 July 2007 for the Company

Business review and principal activity

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

The company changed its name from Gondola Holdings PLC to Gondola Holdings Limited following its acquisition by Gondola Acquisitions Limited (formerly Paternoster Acquisitions Limited) and its subsequent de-listing from the London Stock Exchange on 22nd December 2006

The results for the company show a pre-tax loss of £84.7 million (2006 – loss £23.3 million)

The directors do not recommend the payment of a final dividend (2006 - £nil) leaving retained losses of £84.4 million to be transferred to reserves

Future outlook

The directors expect the Company to continue operation as a holding company and to accrue interest on its intercompany balances

Principal risks and uncertainties

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 income received on the intercompany advances or paid for on the loans from parent and subsidiary companies. 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 creditors due within one year. 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

Key performance indicators ("KPIs")

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

Payment to suppliers

The Company does not have any trade creditors

Employees

The Company has no employees

GONDOLA HOLDINGS LIMITED (formerly GONDOLA HOLDINGS PLC)

Report of the Directors (continued)

Directors

The directors of the Company during the period and up to the date of signing the financial statements were

David Ross	(resigned 22 December 2006)
Chris Heath	(resigned 22 December 2006)
Manjit Dale	(resigned 22 December 2006)
Julian Seaward	(resigned 22 December 2006)
Robert 'T Hooft	(resigned 22 December 2006)
Karen Jones	(resigned 22 December 2006)
Richard Grgson	(resigned 22 December 2006)
Zillah Byng-Maddick	(resigned 22 December 2006)
Harvey Smyth	
Julia Fleet	(resigned 1 March 2007)
Nicholas Carter	(appointed 5 April 2007)

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 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 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, in which case there should be supporting assumptions or qualifications as necessary

The directors confirm that they have complied with the above requirements in preparing the financial statements

The directors are responsible for keeping proper accounting records that 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.

GONDOLA HOLDINGS LIMITED (formerly GONDOLA HOLDINGS PLC)

Report of the Directors (continued)

Provision of information to auditors

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


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

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

Auditors

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

By order of the Board


N Carter
Secretary
29 October 2007

GONDOLA HOLDINGS LIMITED (formerly GONDOLA HOLDINGS PLC)

Independent auditors' report to the members of GONDOLA HOLDINGS LIMITED

We have audited the financial statements of Gondola Holdings Limited for the 52 week period ended 1 July 2007 which comprise the Profit and loss account, the Balance sheet, the Reconciliation of movements in shareholders' funds, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland). 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 it may come save where expressly agreed by our prior consent 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 Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 1 July 2007 and of its loss for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Gatwick
29 October 2007

GONDOLA HOLDINGS LIMITED (formerly GONDOLA HOLDINGS PLC)

Profit and loss account for the 52 weeks ended 1 July 2007

		52 weeks ended 1 July 2007 £m	53 weeks ended 22 July 2006 £m
Administrative expenses		(4 4)	(1 2)
Exceptional administrative expenses	2	(54 2)	(7 5)
Total administrative expenses		(58 6)	(8 7)
Loss on ordinary activities before interest and taxation		(58 6)	(8 7)
Net interest payable and similar charges	5	(26 1)	(14 8)
Loss on ordinary activities before taxation		(84 7)	(23 5)
Taxation on loss on ordinary activities	6	-	0 2
Retained loss for the period	12	(84 7)	(23.3)

The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented

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

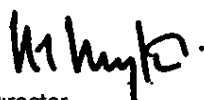
The notes on pages 9 to 15 form part of these financial statements

GONDOLA HOLDINGS LIMITED (formerly GONDOLA HOLDINGS PLC)

Balance sheet as at 1 July 2007

	Note	1 July 2007 £ m	2 July 2006 £ m
Fixed assets			
Investments	7	12 8	12 8
		12 8	12 8
Current assets			
Debtors	8	575 9	621 2
Cash at bank and in hand		-	0 1
		575 9	621 3
Creditors amounts falling due within one year	9	(418 4)	(26 5)
Net current assets		157 5	594 8
Total assets less current liabilities		170 3	607 6
Creditors amounts falling due after more than one year	10	-	(352 9)
Net assets		170 3	254 7
Capital and reserves			
Called up share capital	11	33 7	33 7
Share premium account	12	147 6	147 3
Profit and loss account	12	(11 0)	73 7
Shareholders' funds		170 3	254 7

The financial statements were approved by the Directors on 29 October 2007 and signed on its behalf by H Smyth



Director

The notes on pages 9 to 15 form part of these financial statements

GONDOLA HOLDINGS LIMITED (formerly GONDOLA HOLDINGS PLC)

Reconciliation of movements in shareholders' funds as at 1 July 2007

	52 weeks ended 1 July 2007 £m	53 weeks ended 2 July 2006 £m
Retained loss for the financial period	(84 7)	(23 3)
Shares issued in the period	0.3	-
Net decrease in shareholders' funds	(84 4)	(23 3)
Opening shareholders' funds	254 7	278 0
Closing shareholders' funds	170 3	254 7

The notes on pages 9 to 15 form part of these financial statements

GONDOLA HOLDINGS LIMITED (formerly GONDOLA HOLDINGS PLC)

Notes to the financial statements

1 Accounting policies

In the prior period, the financial statements of the Company were prepared under International Financial Reporting Standards ("IFRS"). Following the acquisition by Gondola Acquisitions Limited (formerly Paternoster Acquisitions Limited) and the Company's subsequent de-listing from the London Stock Exchange on 22nd December 2006, the Company adopted UK GAAP. This change did not result in a change to accounting policies adopted.

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

The company is exempt from the obligation to prepare and deliver group accounts as it is itself a wholly owned subsidiary of a larger group drawing up consolidated accounts, as detailed in note 16. As a consequence, these financial statements present information about the company as an individual undertaking and not about its group.

The following accounting policies have been applied:

(a) Taxation

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.

(b) Exceptional costs

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

(c) Share-based payments

The company operated an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of shares is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised or the shares are given.

(d) Investments

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

GONDOLA HOLDINGS LIMITED (formerly GONDOLA HOLDINGS PLC)

2 Administrative exceptional items

	52 weeks ended 1 July 2007 £m	53 weeks ended 2 July 2006 £m
Costs incurred in respect of flotation of Gondola Holdings plc	-	7.5
Costs incurred in respect of acquisition by Paternoster Acquisitions Limited	5.0	-
Restructuring costs following acquisition by Paternoster Acquisitions Limited	0.4	-
Waiver of loans owed to subsidiary undertakings	48.8	-
	54.2	7.5

Professional advisors' fees of £5.0m were incurred in respect of the acquisition of the Company by Paternoster Acquisitions Limited. Following the acquisition, exceptional redundancy payments of £0.4m were made to former directors.

In the prior year, £7.5m of exceptional costs, principally professional advisors' fees, were incurred in relation to the flotation of the Company on the London Stock Exchange.

3 Operating profit

During the year statutory audit fees of £15,000 were paid to the Company's auditors (2006: £145,000). In addition, tax compliance and advisory fees of £40,650 were paid (2006: £28,490).

4 Employees and directors

	52 weeks ended 1 July 2007 £m	53 weeks ended 2 July 2006 £m
a) Employee costs		
Wages and salaries	2.4	0.5
Social security costs	0.2	0.1
Other pension costs	0.1	0.1
	2.7	0.7
b) Employee numbers		
The average number of persons employed by the Group during the period was		
Restaurants and distribution	-	-
Administration	10	1
	10	1

GONDOLA HOLDINGS LIMITED (formerly GONDOLA HOLDINGS PLC)

Notes to the financial statements (continued)

4 Employees and directors (continued)

Total directors' remuneration in the period was as follows

	52 weeks ended 1 July 2007 £m	53 weeks ended 2 July 2006 £m
Aggregate emoluments	0.6	0.5
Compensation for loss of office	0.7	-
Social security costs	0.1	0.1
	1.1	0.6

Compensation for loss of office includes the award of £0.3m of shares to a director

Pension contributions of £78,695 (2006: £40,385) were paid into individual personal pension plans in relation to three (2006: one) directors

Emoluments in respect of the highest paid director were as follows

	52 weeks ended 1 July 2007 £m	53 weeks ended 2 July 2006 £m
Aggregate emoluments	0.3	0.4
Compensation for loss of office	0.7	-
	1.0	0.4

Compensation for loss of office includes the award of £0.3m of shares

No director waived any emoluments in the period

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

5 Net interest payable and similar charges

	52 weeks ended 1 July 2007 £m	53 weeks ended 2 July 2006 £m
Interest payable on bank loans and overdrafts		
- Senior debt	(11.4)	(14.2)
Other interest payable	(0.1)	(0.2)
Group interest receivable/(payable)	(11.7)	-
Amortisation of issue costs of bank loans	(2.8)	(0.5)
Interest payable and similar charges	(26.1)	(14.9)
Interest receivable	-	0.1
Net interest payable and similar charges	(26.1)	(14.8)

GONDOLA HOLDINGS LIMITED (formerly GONDOLA HOLDINGS PLC)

Notes to the financial statements (continued)

6 Taxation

	52 weeks ended 1 July 2007 £m	53 weeks ended 2 July 2006 £m
United Kingdom		
Corporation taxation on the loss for the period	-	0.2
Tax on loss on ordinary activities	-	0.2

The tax for the period is higher than (2006 equal to) the standard rate of corporation tax in the UK of 30 per cent (2006 30 per cent). The differences are explained below.

	52 weeks ended 1 July 2007 £m	53 weeks ended 2 July 2006 £m
Loss on ordinary activities before tax	(84.4)	(23.5)
Loss on ordinary activities multiplied by standard rate of		
Corporation tax in the UK of 30 per cent	(25.3)	(7.1)
Expenses not deductible for tax purposes	16.2	1.7
Effect of group relief not paid for	9.1	5.2
Current tax charge for the period	-	0.2

Prior to the period end, the rate of corporation tax in the United Kingdom changed to 28% effective April 2008. This will impact the Company's tax charge in the future.

7 Investments

	Subsidiaries £m
Cost and Net Book Value	
At 2 July 2006 and 1 July 2007	12.8

The principal subsidiary undertakings were as follows:

	Proportion of ordinary shares held	Business
Gondola Investments Limited	100%	Investment Company
Gondola Finance Limited	100%	Investment Company
Riposte Limited	100%	Investment Company
ASK Central Limited	100%	Holding company
ASK Restaurants Limited	100%	Operation of restaurants
PizzaExpress Limited	100%	Holding company
PizzaExpress (Restaurants) Limited	100%	Operation of restaurants

All subsidiaries are unlisted and are registered and operate in England and Wales.

GONDOLA HOLDINGS LIMITED (formerly GONDOLA HOLDINGS PLC)

Notes to the financial statements (continued)

8 Debtors

	1 July 2007	2 July 2006
	£m	£m
Amounts due from subsidiary undertakings	575.9	621.2
	575.9	621.2

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

9 Creditors: amounts falling due within one year

	1 July 2007	2 July 2006
	£m	£m
Bank loans – senior debt	-	20.8
Amounts owing to subsidiary undertakings	74.3	5.4
Amounts owing to parent undertaking	343.5	-
Accruals and deferred income	0.6	0.3
	418.4	26.5

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

Amounts owing to parent undertakings accrue interest at 2 per cent above LIBOR and are repayable on demand

10 Creditors: amounts falling due in more than one year

	1 July 2007	2 July 2006
	£m	£m
Bank loans – senior debt	-	352.9
	-	352.9

Senior debt

The initial issue costs of the senior debt totalled £3.2 million, which were being amortised over the period from drawdown of the loan to the maturity date of the loan, until the debt was repaid in full during the year and written off. At 2 July 2006, the unamortised cost was £2.8 million, of which £0.7m was offset against bank loans due within one year and £2.1 million against bank loans due in more than one year.

Maturity

At 2 July 2006, bank loans of £19.4 million were due between one and two years and £333.5 million were due between two and five years. On acquisition of the Company by Paternoster Acquisitions Limited on 22 December 2006, the bank loans were repaid in full.

GONDOLA HOLDINGS LIMITED (formerly GONDOLA HOLDINGS PLC)

Notes to the financial statements (continued)

11 Called up share capital

	1 July 2007 £m	2 July 2006 £m
Authorised		
200,000,000 ordinary shares of 25p each	50.0	50.0
	50.0	50.0
Allotted, issued and fully paid		
Equity		
134,764,134 (2006 134,678,196) ordinary shares of 25p each	33.7	33.7
	33.7	33.7

During the period, 85,938 shares were issued to settle an award of shares made to a former director. The cost of these shares of £0.3m has been charged to the profit and loss account in accordance with FRS 20.

12 Reserves

	1 July 2007		2 July 2006	
	Share premium	Profit and loss	Share premium	Profit and loss
	£m	£m	£m	£m
Brought forward at start of period	147.3	73.7	147.3	97.0
Issue of shares in the period	0.3	-	-	-
Retained loss for the period	-	(84.7)	-	(23.3)
At 1 July 2007	147.6	(11.0)	147.3	73.7

GONDOLA HOLDINGS LIMITED (formerly GONDOLA HOLDINGS PLC)

Notes to the financial statements (continued)

13 Contingent liabilities

On 22 December 2006, the Company and certain of the Company's subsidiaries 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 Gondola Acquisitions Limited, Gondola Finance 2 Limited (parent undertakings of the Company) and The Governor and Company of the Bank of Scotland

The amounts outstanding at the balance sheet dates for these loans were £565.0 million under the Senior Facilities and £63.4 million under the Mezzanine facility, including accrued interest

Each Senior and Mezzanine Guarantor irrevocably and unconditionally jointly and severally

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

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

14 Cash Flow Statement

The company has taken advantage of the exemption provided by Financial Reporting Standard No1 not to produce a Cash Flow Statement on the grounds that a consolidated cash flow is produced by a parent company

15 Related party transactions

The company is also 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

16 Ultimate Parent Undertakings

The immediate parent company of Gondola Holdings Limited is Gondola Acquisitions Limited, an indirect subsidiary of Gondola Group Limited, a limited company under the laws of England and Wales and the largest group for which consolidated financial statements are prepared

At 1 July 2007 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