GONDOLA HOLDINGS

Interim Report 2006

Financial Highlights Core Business [1]

- Restaurant sales up 6.9% to £206.7m
- Like-for-like sales up 4.0% to £195.4m
- EBITDA [2] up 6.5% to £47.7m
- EBITDA margin maintained at 22.6%
- Strong cash generation of £47.4m [3]: 99.8% of reported EBITDA
- Maiden interim dividend of 2.3p per share

Reported Results

- Total group sales up 5.2% to £212.9m
- Loss before tax of £4.1m after exceptional items of £12.1m

(1) 'Core business' excludes restaurants disposed of prior to Gondola's IPO

(2) Earnings Before Interest, Taxation, Depreciation and Amortisation is defined as operating profit excluding exceptional costs, other income generated by sale of properties and depreciation

(3) Reported basis

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Operating Review

The reported results for the period and the comparative period include the results for certain restaurants which were disposed of prior to the IPO.

Consequently, results for the 'Core' business are set out below to show the Group's financial performance excluding these restaurants. In addition, exceptional costs - which in H1 2005/06 related to this disposal of these restaurants prior to the IPO, together with the IPO costs - have been excluded from the 'core' results.

Summary	H1 2005/06 Core(1) £m	H1 2004/05 Core(1) £m	*Change %*	H1 2005/06 Reported £m	H1 2004/05 Reported £m
Like for like restaurant sales	195.4	187.9	*4.0*	195.4	187.9
Total restaurant sales	206.7	193.3	*6.9*	208.8	197.7
Retail and other	4.1	4.7	*(12.8)*	4.1	4.7
Total sales	210.8	198.0	*6.5*	212.9	202.4
EBITDA(2)	47.7	44.8	*6.5*	47.5	44.6
Margin	22.6%	22.6%		22.3%	22.0%
Depreciation	(9.0)	(8.6)	*4.7*	(9.0)	(8.6)
EBIT(3)	38.7	36.2	*6.9*	38.5	36.0
Margin	18.4%	18.3%		18.1%	17.8%
Property disposal profit	0.1	0.9	*(88.9)*	0.1	0.9
Exceptional items	-	-	*n/a*	(12.1)	(2.3)
Operating Profit	38.8	37.1	*4.6*	26.5	34.6

(1) 'Core' excludes restaurants disposed of prior to the IPO

(2) Earnings Before Interest, Taxation, Depreciation and Amortisation is defined as EBIT plus depreciation

(3) Earnings Before Interest and Taxation is defined as operating profit excluding exceptional costs and other income generated by sale of properties

The Group's strategy of focussing on providing fresh, high quality food and excellent customer service in a stylish restaurant environment continues to deliver strong results, with an increase in like for like sales growth for the 28 weeks to 8 January 2006 of 4.0%

Net openings of twenty two restaurants during the previous financial year (2004/05) and the opening of seven new sites in the first half of 2005/06 also contributed to the growth of 6.9% in total restaurant sales in the period.

As noted in our Christmas trading update, sales for the eight week period to 8 January 2006 were particularly strong, with like for like sales growth of 5.2% and total restaurant sales growth of 8.2%. This was in part driven by additional promotional activity in the Christmas period which will be a feature of the business going forward.

This good momentum has continued into H2, with like for like and total sales growth for the eight weeks to 5 March of 4.8% and 7.5% respectively.

Earnings per share - Pro forma analysis

In addition to the impact of the pre-IPO restaurant disposals and the IPO related costs, H1 results were also impacted by the significant change in the capital structure of the business and the refinancing which took place in November 2005.

Consequently, a pro forma analysis is set out below to show how the Group's earnings per share would have been calculated had the group's current capital structure and financing arrangements been in place from the start of both accounting periods.

Adjustments which have been made below are:

- to reduce the net interest charge, as the group pays a lower rate of interest on a lower level of borrowings following the refinancing
- to exclude the impact of non-deductible costs associated with the IPO on the taxation charge, bringing it into line with our expected effective tax rate for H2 2005/06
- to reduce minority interests to reflect the nominal interests which remain following the IPO
- to increase the number of shares to reflect the number of shares currently in issue, as a result of the IPO

Pro forma earnings per share	H1 2005/06	H1 2004/05
	£m	£m
'Core' operating profit before exceptional items(1)	38.8	37.1
Pro forma net finance costs	(12.2)	(12.2)
Pro forma profit before tax	26.6	24.9
Pro forma tax at 32%	(8.5)	(8.0)
Pro forma profit after tax	18.1	16.9
Attributable to equity holders	£18.0m	£16.8m
Pro forma number of shares in issue	134.7m	134.7m
Pro forma earnings per share	13.4p	12.5p

(1) 'Core' results exclude the restaurants which were disposed of prior to Gondola's listing

Adjusting for the items noted above, we believe a clearer picture of the underlying performance of the business is established. On this pro forma basis, profit after tax shows an increase of 7.1% to £18.1m and earnings per share (after minority interest) increased by 7.2% to 13.4p.

Review of Core Business

Great Food

A key element of the Gondola 'restaurant basics' programme is to continually improve the quality and range of food available in all of the Group's restaurants.

In October 2005, ASK completed a comprehensive programme to improve the quality of ingredients used in core menu items and at the same time took the opportunity to enhance the presentation of these dishes. This was supported by the introduction of a new contemporary look and feel to the design of the ASK menu. All of these changes were well received by customers and helped to accelerate the year on year sales growth.

In January 2006, Zizzi also continued its focus on improving the quality and range of food on offer by introducing a selection of premium priced 'carne' dishes to the menu. Whilst it is still early days, these have proven to be very popular, demonstrating that customers are prepared to pay a little more for premium quality dishes.

PizzaExpress now formally updates its menu at least twice a year and also introduces seasonal specials, such as the PizzaExpress Christmas Pizza which sold over 61,000 units over the festive period. The new Autumn menu introduced in October has also been very popular with customers and new dishes such as the premium priced Diavolo pizza have become instant favourites – with this product already established as the sixth best selling item on the menu.

Food development initiatives continue, with the recent very successful Valentine's Day promotions in each of our core brands (including ASK's heart-shaped pizza), and plans are already underway for Mother's Day and Easter promotions, together with PizzaExpress' launch of a Sicilian-themed Spring menu and new wine range in H2.

The Best People

With over 10,000 customer facing employees, people are at the heart of the Gondola business. The Group's objectives are to recruit the best employees, provide them with the best training and ensure that they are motivated and focussed on continually delighting our customers.

In the first half of this financial year, PizzaExpress trialled and then rolled-out the new 'smart rota' staff scheduling process. This is an investment in the business, designed to optimise the number of waiting staff which are on hand at peak trading times, thus maintaining high levels of customer satisfaction and generating additional sales.

In order to ensure that best practice restaurant operations are used consistently across the estate, PizzaExpress has a number of restaurants as regional 'centres of excellence' and has introduced a series of 'How to' cards to aid staff training.

These initiatives are contributing to the ongoing improvement in customer service standards as measured by our extensive 'Mystery Diner' program.

Great Locations

A key part of the Gondola strategy is to profitably grow our restaurant estate through a measured, disciplined roll-out strategy that focuses on securing strong new locations which will generate attractive returns.

The 7 new restaurants opened in the first half of this year (as shown below) are all trading very well. In the first 8 weeks of H2 we have opened a further 3 restaurants, and are currently on site at a further 10. In line with our targets, we expect to open 20-25 new restaurants in 2005/06 and thereafter a further 25-30 new restaurants pa. Phasing of our remaining openings for this financial year will be weighted towards the end of the year, with these restaurants reaching maturity in the second half of 2006/07.

H1 OPENINGS	JAN-MAR OPENINGS	CURRENTLY ON SITE
PizzaExpress	**Zizzi**	**PizzaExpress**
Pizza on the Park Oxford 2* Dundrum	Edinburgh* Farnham*	Hemel Hempstead Braehead Warwick* Birmingham Bullring
ASK	**Other**	**ASK**
Bury St Edmunds*	Yard, London*	Basingstoke*
Zizzi		**Zizzi**
Glasgow 2* Whitstable		Victoria* Chislehurst Woking* Paddington Eastbourne*
Other		
Leamington*		

* co-located restaurants

Our unique ability to co-locate each of our three main market leading brands together in one town or city and grow the market at the same time as securing a greater 'share of wallet' underpins our exciting growth prospects.

Retail Sales

Whilst the vast majority of our sales are generated from our core restaurant business,we also benefit from additional rebate and royalty income through the sale of PizzaExpress branded products in the UK's leading supermarket chains.

These supermarket sales continue to grow and a great range of PizzaExpress branded products has recently been successfully launched in Tesco, providing a platform for further growth from this relatively small but nevertheless important part of the overall business.

Note: the distribution arrangements with our manufacturing partner, Geest were changed during the 2004/05 financial year. As a result, our recorded sales to Geest have reduced, whilst our profitability from this business has increased.

Supply Chain and Operating Margins

Sourcing high quality ingredients is critical for the delivery of great food to our customers as part of our restaurant basics strategy. The Group Supply Chain function continues to successfully focus on sourcing high quality ingredients to support our menu development programme, whilst at the same time delivering significant cost and operational efficiencies.

At the IPO we indicated that supply chain savings across the Group of approximately £2.4m had been achieved in 2004/05, and that initiatives were in place to deliver an expected additional £5.0m over the next two financial years.

We have been able to accelerate the implementation of some of these initiatives and now expect to achieve higher than expected savings in the current financial year.

These additional savings are being used to improve the quality of the food offering, fund additional investment in waiting staff and offset inflationary pressures in food and fixed overhead costs.

We will continue to seek further cost saving opportunities in food and non food areas and are currently evaluating opportunities to source capital items more efficiently across the Group.

Core EBITDA for the business has grown by 6.5% to £47.7m. Core EBITDA as a % of sales has been maintained at 22.6%.

This is after charging £0.6m (under IFRS2) to general overheads in relation to the employee incentive scheme which operated prior to the IPO.

Cash Flow

The business continued to be strongly cash generative, with reported net cash flow from operations increasing by 27.4% to £47.4m, representing 99.8% of reported EBITDA.

As expected, this strong cashflow enables the Group to continue to invest in the existing estate and to fund new restaurant developments from internally generated funds.

Outlook

All three core brands continue to trade strongly across all regions of the UK and Ireland and across all location types.

Since the end of H1, like for like sales and total sales for the eight weeks to 5 March increased by 4.8% and 7.5% respectively.

Our new openings are on track to achieve our target of 20 to 25 for the full year. We have opened 7 restaurants during the period, with another 3 restaurants opened since the close of H1, another 10 are currently on site.

Phasing of our remaining openings will be weighted towards the end of the year, with these restaurants reaching maturity in the second half of 2006/07.

We continue to pursue additional supply chain efficiencies to offset market wide cost pressures. Our objective remains to maintain current profit margins in a challenging cost environment.

With strong brands, an effective operating model, a highly motivated management team, and favourable market dynamics, the Group is well positioned to continue to deliver profitable growth in line with market expectations during the second half of this financial year.

The Board has therefore approved the payment of an interim dividend of 2.3p, for all shareholders registered on 31 March 2006. This, our first dividend since listing, will be paid on 28 April 2006.

Basis of Reporting

As indicated in our IPO prospectus, the Group has adopted International Financial Reporting Standards (IFRS) for the first time in preparing these interim results. A summary of certain differences between IFRS and UK GAAP, together with a pro forma financial information showing the likely impact of conversion to IFRS was included in our prospectus (which is available on the Gondola website).

Sales

Total reported sales increased by 5.2% to £212.9m. The growth overall was primarily a reflection of strong like for like growth in restaurant sales combined with the additional benefit of new openings.

Administrative Costs

Exceptional costs for H1 2005/06 amounted to £12.1m, up from £2.3m in the previous year. Of the £12.1m, £7.6m were costs associated with the IPO, and the balance was incurred as a result of the disposal of non-core restaurants.

Administrative costs	H1 2005/06 £m	H1 2004/05 £m	*Change %*
Administrative costs before exeptional items	9.6	8.7	*10.3*
Exeptional items	12.1	2.3	*426.1*
Total administrative costs	21.7	11.0	*97.3*

Excluding exceptional items, administrative costs increased by 10.3% to £9.6m. This increase reflects the full impact of the creation of the Group Property and Supply Chain functions which were established during 2004/05, together with a part period impact of costs for new Group functions and other costs associated with operating as a publicly listed company. A £0.6m charge under IFRS2 was also incurred in relation to an employee share incentive scheme which operated prior to the listing.

Net Finance Expense

Total finance expense for the period amounted to £31.3m, a decrease of 27.7% compared with the same period last year. In conjunction with the IPO, a refinancing was undertaken which significantly changed the nature of the Group's debt. As a result, this expense reflects the twenty week period up to the refinancing effective from 8 November 2005, combined with a period of eight weeks of significantly lower net debt and reduced interest rates on the new facilities.

New debt refinancing costs of £3.2m were incurred, and these will be amortised over the five year term of the new facilities. The H1 charge for amortisation amounted to £2.4m, the majority of which represented an additional write-off of costs associated with the previous debt facilities.

Further details are provided in notes 2 and 6 of the financial statements.

Taxation

Although a loss before taxation was reported for the period (primarily as a result of exceptional items), a taxation expense was still incurred for H1 principally due to a significant proportion of the exceptional costs associated with the IPO being non-deductible for taxation purposes.

Minority Interest

For H1 of 2005/06, £1.0m was attributable to minority interests as a result of shares held by investors in PizzaExpress Limited. The majority of this amount related to the period prior to the IPO, at which point the external interests in this subsidiary were reduced to a nominal level.

Earnings per share

Basic reported loss per share attributable to equity holders for the period was 9.6p, an increase of 16.5% from the loss per share in the prior comparable period.

Cashflow and Net Borrowings

Net cash generated from operating activities was £47.4m, an increase of 27.4%. A detailed analysis of this amount is provided in note 10 to the financial statements.

Net cash used in investing activities of £48.3m (up 265.9%) reflected the buy out of certain minority interests in PizzaExpress Limited, together with investments in property and related assets for the expansion of the business.

Net cash used in financing activities was £2.3m, down from £40.9m in the previous period, and primarily related to re-financing and corporate re-structuring in both periods, together with net interest payments.

In H1 of 2005/06, the Group's net borrowings decreased by £211.6m to £346.3m, including the impact of the refinancing which occurred in conjunction with the Group's IPO (which raised gross proceeds of £135.0m).

Chris Heath
Group CFO and Commercial Director
15 March 2006

CONSOLIDATED INCOME STATEMENT FOR THE 28 WEEKS ENDED 8 JANUARY 2006

	Note	28 weeks ended 8 January 2006 (unaudited) £m	28 weeks ended 9 January 2005 (unaudited) £m	52 weeks ended 26 June 2005 £m
Revenue	3	**212.9**	**202.4**	**378.8**
Cost of sales		(164.8)	(157.7)	(296.5)
Gross profit		**48.1**	**44.7**	**82.3**
Other income		0.1	0.9	2.4
Administrative expenses		(21.7)	(11.0)	(31.2)
Analysed as:				
Administrative items before exceptional items		(9.6)	(8.7)	(17.0)
Exceptional items	5	(12.1)	(2.3)	(14.2)
		(21.7)	(11.0)	(31.2)
Operating profit	4	**26.5**	**34.6**	**53.5**
Finance income	6	0.7	0.9	1.4
Finance expense	6	(31.3)	(43.3)	(74.1)
Loss before taxation		**(4.1)**	**(7.8)**	**(19.2)**
Taxation	7	(2.3)	4.9	11.0
Loss after tax		**(6.4)**	**(2.9)**	**(8.2)**
Attributable to:				
Equity holders		(7.4)	(4.7)	(11.1)
Minority interest		1.0	1.8	2.9
		(6.4)	**(2.9)**	**(8.2)**
Loss per share for loss attributable to the equity holders				
Basic (pence)	8	**(9.6)**	**(11.5)**	**(25.1)**
Diluted (pence)	8	**(9.6)**	**(11.5)**	**(25.1)**

CONSOLIDATED BALANCE SHEET AS AT 8 JANUARY 2006

	Note	As at 8 January 2006 (unaudited) £m	As at 9 January 2005 (unaudited) £m	As at 26 June 2005 £m
Assets				
Non-current assets				
Intangible assets		322.8	288.5	288.7
Property, plant and equipment		200.7	202.8	198.4
Trade and other receivables		9.7	10.2	9.6
Total non-current assets		**533.2**	**501.5**	**496.7**
Current assets				
Inventory		9.8	14.2	9.5
Trade and other receivables		17.6	19.3	22.2
Cash and cash equivalents		43.6	66.1	28.1
Total current assets		**71.0**	**99.6**	**59.8**
Total assets		**604.2**	**601.1**	**556.5**
Liabilities				
Current liabilities				
Trade and other payables		(64.7)	(80.7)	(68.6)
Financial liabilities				
– Borrowings	9	(37.3)	(145.5)	(385.6)
– Derivative financial instrument		(1.2)	-	-
Corporation tax liabilities		(2.4)	(1.4)	(0.9)
Total current liabilities		**(105.6)**	**(227.6)**	**(455.1)**
Non-current liabilities				
Borrowings and other liabilities	9	(352.6)	(464.2)	(200.4)
Deferred tax liabilities		(33.6)	(37.6)	(33.1)
Onerous contract provision		(1.4)	-	-
Total non-current liabilities		**(387.6)**	**(501.8)**	**(233.5)**
Total liabilities		**(493.2)**	**(729.4)**	**(688.6)**
Net assets/(liabilities)		**111.0**	**(128.3)**	**(132.1)**
Equity				
Capital and reserves				
Attributable to equity holders		110.4	(146.2)	(151.1)
Minority interests		0.6	17.9	19.0
Total equity		**111.0**	**(128.3)**	**(132.1)**

CONSOLIDATED CASH FLOW STATEMENT FOR THE 28 WEEKS ENDED 8 JANUARY 2006

	Note	28 weeks ended 8 January 2006 (unaudited) £m	28 weeks ended 9 January 2005 (unaudited) £m	52 weeks ended 26 June 2005 £m
Cash flow from operating activities				
Cash generated from operations	10	47.4	37.6	56.0
Taxation received/(paid)		-	(0.4)	0.8
Net cash generated from operating activities		**47.4**	**37.2**	**56.8**
Cash flow from investing activities				
Purchases of property, plant and equipment		(13.7)	(15.1)	(22.4)
Purchase of intangible asset		-	-	(0.3)
Sale of property, plant and equipment		0.5	3.9	6.7
Interest received		0.7	1.1	1.4
Acquisition of Pizza Express		-	-	(0.4)
Acquisition of minority interest		(32.5)	-	-
Disposal of PE 2a		(3.3)	-	-
Acquisition of ASK		-	(3.1)	(3.1)
Net cash used in investing activities		**(48.3)**	**(13.2)**	**(18.1)**
Cash flow from financing activities				
Proceeds from issuance of ordinary shares under global offer		135.0	-	-
Proceeds from issuance of ordinary shares in subsidiary		22.4	-	1.3
Loans proceeds received		370.0	222.1	312.1
Loans repaid		(468.7)	(233.9)	(362.4)
Issue of loans to employees to acquire shares		-	-	(0.8)
Receipt of loans from employees in connection with the partnership plan		0.2	-	1.0
Redemption of loan notes		(0.1)	(0.3)	(4.4)
Interest paid		(51.6)	(28.1)	(39.7)
Issue costs of debt finance		(3.3)	(0.9)	(0.9)
Issue costs of global offer		(6.3)	-	-
Transfer from restricted bank account		0.1	0.2	4.4
Net cash used in financing activities		**(2.3)**	**(40.9)**	**(89.4)**
Net decrease in cash and cash equivalents		**(3.2)**	**(16.9)**	**(50.7)**
Cash and cash equivalents for cash flow purposes at the start of the period		26.9	77.6	77.6
Cash and cash equivalents for cash flow purposes at the end of the period		**23.7**	**60.7**	**26.9**

CONSOLIDATED STATEMENT OF CHANGES FOR THE 28 WEEKS ENDED 8 JANUARY 2006

	28 weeks ended 8 January 2006 (unaudited) £m	28 weeks ended 9 January 2005 (unaudited) £m
Balance at 27 June 2005 (28 June 2004)	**(132.1)**	**(35.4)**
Adoption of IAS 32 and IAS 39	(1.3)	-
Balance at 27 June 2005 (28 June 2004) – restated	**(133.4)**	**(35.4)**
Net proceeds from issuance of shares	248.9	-
Net loss for the period	(6.4)	(2.9)
Employee share options schedule: value of employee service provided	0.6	-
Cash flow hedges – release of hedging reserve	1.3	-
Appropriations	-	(90.0)
	111.0	**(128.3)**

1. Basis of preparation

Development of the Group

Gondola Holdings plc (the 'company') was incorporated on 19 September 2005.

With effect from 8 November 2005, the company became the legal parent company of Gondola Group Limited and its subsidiary companies. This business combination, effected through an exchange of equity interests, has been accounted for as a reverse acquisition in accordance with IFRS 3 'Business Combinations'. The key features of this basis of consolidation are:

- The consolidated income statement includes the results of Gondola Group Limited and its subsidiaries for the 28 week period ended 8 January 2006, with the results of Gondola Holdings plc from 8 November 2005.
- The comparative figures in the income statement are the results of Gondola Group Limited and its subsidiaries for the 28 week period ended 9 January 2005.

The consolidated profit and loss reserves of the Group include the pre Gondola Holdings plc acquisition profit and loss reserves of Gondola Group Limited and its subsidiaries.

Accounting policies

These interim consolidated financial statements have been prepared in accordance with the accounting policies that the Group expects to adopt in its 2006 Annual Report. The accounting policies are based on the IASs, IFRSs and IFRIC interpretations that the Group expects to be applicable at that time. The IFRSs and IFRIC interpretations that will be applicable at 2 July 2006, including those that will be applicable on an optional basis are not known with certainty at the time of preparing these interim financial statements. The accounting policies that have been followed within the interim report are the same as those published on 3 November 2005 by the Group within the Price Range Prospectus document, which is available from the company's head office and website www.gondolaholdings.com, except for the adoption of IAS 32 and IAS 39.

The consolidated interim financial statements do not constitute statutory accounts as defined by Section 240 of the Companies Act 1985.

For the financial period ended 26 June 2005, Gondola Group Limited prepared its consolidated financial statements under UK Generally Accepted Accounting Principles (UK GAAP). With effect from 27 June 2005, the Group is required to prepare its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union (EU).

The comparative figures within this report for the 52 weeks ended 26 June 2005 are restated for IFRS. Full details of the restatement and reconciliations of the UK GAAP financial information for the 52 weeks ended 26 June 2005 were published on 3 November 2005 by the Group within the Price Range Prospectus document which is available on the Group's website www.gondolaholdings.com.

The consolidated results of Gondola Group Limited for the 52 weeks ended 26 June 2005, prepared under UK GAAP, received an unqualified audit report from the auditors. A copy of these accounts has been delivered to the Registrar of Companies.

Financial Instruments

The Group has adopted IAS 32, 'Financial instruments: recognition and measurement' and IAS 39, 'Financial instruments: presentation and disclosure' from 27 June 2005. In preparing the comparative figures within this report the Group has utilised the exemption under IFRS1, 'First time adoption of IFRS' to only apply IAS 32 and IAS 39 from 27 June 2005 and has therefore applied the hedge accounting rules of UK GAAP for comparative figures. As a result, the change in accounting policy has no impact on the results of the 28 weeks ending 9 January 2005. The impact on the opening balance sheet at 27 June 2005 is set out in note 11.

2. Refinancing

On 20 October 2005, the Group entered into a multicurrency term and revolving facilities agreement arranged and underwritten by HSBC plc and The Royal Bank of Scotland plc, whereby the lenders have agreed to provide up to £400m in two facilities:

- Facility A, a term loan of £370m repayable by instalments over 5 years with an initial interest charge of 125 basis points above LIBOR;
- Facility B, a multicurrency revolving credit facility of up to £30m.

Facility A was fully drawn down on 8 November 2005.

On 8 November 2005, the company issued 27,681,712 ordinary shares to the holders of the Gondola Group Limited loan notes and deep discounted bonds to settle £92.4m of the amounts due at that date.

On 8 November 2005, the company issued 42,187,500 new ordinary shares listed on the London Stock Exchange at a price of £3.20, giving total proceeds of £135m.

The Group used the net proceeds from the issue of new shares and funds available under the new facilities to:

- Repay all outstanding debt under the senior and second lien credit agreements of £370.5m on 8 November 2005
- Redeem outstanding unsecured loan notes £32.5m
- Redeem outstanding Gondola Group Limited loan notes and deep discounted bonds of £93.2m

The early redemption of senior credit facilities gave rise to a £2.3m charge to the income statement, arising from the accelerated amortisation of debt issuance costs. The costs of the flotation were £13.5m of which costs incurred in issuing the shares amounting to £2.7m have been charged against the share premium account. Costs of £3.2m incurred in raising the debt have been deferred and set against the gross value of the debt. A further £7.6m of costs have arisen as a result of the listing exercise, but not eligible to be set against the share premium, have been reflected in exceptional costs.

3. Segmental Reporting

Based on an analysis of risks and returns, the Directors consider that the Group's activities are carried out under two identifiable business segments: restaurant sales and wholesale. No segmentation within restaurant sales is considered to be appropriate, as all brands exhibit similar long-term financial performances and are subject to similar risks and returns. The segment revenue for the periods were as follows:

	28 weeks ended 8 January 2006 (unaudited) £m	28 weeks ended 9 January 2005 (unaudited) £m	52 weeks ended 26 June 2005 £m
Restaurant sales included in global offering	206.7	193.3	359.4
Restaurant sales not included in global offering	2.1	4.4	7.5
Total restaurant sales	208.8	197.7	366.9
Others	4.1	4.7	11.9
	212.9	202.4	378.8

4. Operations not included in the global offering

From the total Group operations, the operations not included in the Group following the global offering represent current trading restaurants and administrative costs of Café Pasta Limited, Pandora Express 2A Limited and PizzaExpress (Franchises) Limited, which were sold to another company owned by TDR Capital and Capricorn on 20 October 2005. The results for the 28 week financial period ended 8 January 2006 can be analysed between operations to be included in the Group following the global offering and operations not included in the Group following the global offering as follows:

	Operations included in the global offering £m	Operations not included in the global offering £m	Total Operations £m
28 weeks ended 8 January 2006 (unaudited)			
Turnover	210.8	2.1	212.9
Cost of sales	(162.5)	(2.3)	(164.8)
Gross profit/(loss)	48.3	(0.2)	48.1
Other income	0.1	-	0.1
Administrative expenses before exceptional costs	(9.6)	-	(9.6)
Operating exceptional costs	(7.6)	(4.5)	(12.1)
Operating profit/(loss)	31.2	(4.7)	26.5
28 weeks ended 9 January 2005 (unaudited)			
Turnover	198.0	4.4	202.4
Cost of sales	(153.3)	(4.4)	(157.7)
Gross profit/(loss)	44.7	-	44.7
Other income	0.9	-	0.9
Administrative expenses before exceptional costs	(8.5)	(0.2)	(8.7)
Operating exceptional costs	(2.3)	-	(2.3)
Operating profit/(loss)	34.8	(0.2)	34.6

5. Exceptional costs

	28 weeks ended 8 January 2006 (unaudited) £m	28 weeks ended 9 January 2005 (unaudited) £m	52 weeks ended 26 June 2005 £m
Flotation costs	7.6	-	-
Loss on disposal of the operations not included in the global offering	4.5	-	-
Costs in relation to reorganisation of group supply chain	-	0.9	6.0
Accelerated depreciation of property, plant and equipment	-	-	2.0
Deal costs incurred on refinancing	-	-	4.7
Other exceptional costs	-	1.4	1.5
	12.1	**2.3**	**14.2**

6. Net financing expenses

	28 weeks ended 8 January 2006 (unaudited) £m	28 weeks ended 9 January 2005 (unaudited) £m	52 weeks ended 26 June 2005 £m
Finance Income			
Bank interest	(0.7)	(0.9)	(1.4)
	(0.7)	(0.9)	(1.4)
Finance Expense			
Interest on loans			
- Loan notes – secured	-	0.1	0.2
- Bank loans – senior facilities	12.8	11.6	23.6
- Bank loans – mezzanine facility	-	8.0	9.1
- Bank loans – second lien	2.5	-	1.9
- Deep discounted bonds	6.3	8.9	14.1
- Unsecured loan notes – 16%	5.6	7.6	14.4
Amortisation of debt issue costs on bank loans	2.4	6.8	10.3
Other interest payable and similar charges	1.7	0.3	0.5
	31.3	43.3	74.1
	30.6	**42.4**	**72.7**

The total finance expense incurred during the period since the new loan facilities were set up is £3.9m made up from: £3.7m on senior facilities, £0.1m amortisation of debt issue costs and £0.1m other interest payable.

7. Taxation

	28 weeks ended 8 January 2006 (unaudited) £m	28 weeks ended 9 January 2005 (unaudited) £m	52 weeks ended 26 June 2005 £m
Corporation tax charge/(credit)			
UK corporation tax on profits for the period	1.6	(0.7)	(2.3)
Adjustment for over provision in prior periods	-	0.9	0.9
	1.6	**0.2**	**(1.4)**
Deferred tax			
Origination and reversal of temporary timing differences	0.7	(4.7)	(9.2)
Over-provision in respect of prior years	-	(0.4)	(0.4)
	0.7	(5.1)	(9.6)
Total tax charge/(credit)	**2.3**	**(4.9)**	**(11.0)**

The tax charge for the period has been calculated by applying the estimated effective tax rate for the 53 weeks ending 2 July 2006 and takes account of potential tax disallowable charges within the exceptional costs.

8. Earnings per share attributable to the equity holders

The calculation of the basic and diluted earnings (loss) per shares has been based on the loss for the 28 weeks ended 8 January 2006 and 77,161,463 shares, being the weighted average number of shares of the company, after taking into account the restructuring of the share capital on 2 November 2005.

	28 weeks ended 8 January 2006 (unaudited) £m	28 weeks ended 9 January 2005 (unaudited) £m	52 weeks ended 26 June 2005 £m
Numerator			
Loss attributable to shareholders	(7.4)	(4.7)	(11.1)
Exceptional operating costs	12.1	2.3	14.2
Earnings before exceptional costs	4.7	(2.4)	3.1
Denominator			
Weighted average number of shares (millions)	77.2	40.8	44.2
Basic loss per share (pence per share)	(9.6)	(11.5)	(25.1)
Diluted loss per share (pence per share)	(9.6)	(11.5)	(25.1)
Basic earnings/(loss) per share before exceptional costs (pence per share)	6.1	(5.9)	7.0
Diluted earnings/(loss) per share before exceptional costs (pence per share)	6.1	(5.9)	7.0

9. Borrowings

	28 weeks ended 8 January 2006 (unaudited) £m	28 weeks ended 9 January 2005 (unaudited) £m	52 weeks ended 26 June 2005 £m
Current liabilities			
Bank overdraft	18.8	-	-
Loan notes – secured	1.1	5.4	1.2
Bank loans – senior facilities	17.4	140.1	343.6
Bank loans – second lien	-	-	40.8
	37.3	**145.5**	**385.6**
Non current liabilities			
Bank loans – senior facilities	352.6	275.7	-
Deep discounted bonds	-	90.7	95.9
Unsecured loan notes – 16%	-	97.6	104.4
Other creditors	-	0.2	0.1
	352.6	**464.2**	**200.4**

Arising from the listing of the company on the London Stock Exchange the group's finances were restructured resulting in the purchase of all outstanding unsecured loan notes and deep discounted bonds. Other loans were restructured and a new credit facility was put in place (See note 2). At 26 June 2005, all bank loans were reclassified as payable within one year as the terms of the loans required repayment in the event of a flotation.

10. Notes to cash flow statement

Cash flow from operating activities

	28 weeks ended 8 January 2006 (unaudited) £m	28 weeks ended 9 January 2005 (unaudited) £m	52 weeks ended 26 June 2005 £m
Loss after tax	(6.4)	(2.9)	(8.2)
Adjustments for:			
Taxation	2.3	(4.9)	(11.0)
Depreciation	9.0	8.6	15.7
Accelerated depreciation	-	-	2.0
Impairment expense – property, plant and equipment	-	-	1.7
Amortisation	-	-	0.1
Loss/(gain) on sale of property, plant and equipment	0.1	(1.0)	(2.1)
Amortisation of lease premiums	0.3	0.3	0.5
Exceptional charge relating to global offer	7.6	-	-
Exceptional charge relating to elimination of PE2a	4.5	-	-
Exceptional charge relating to fees incurred on refinancing	-	-	4.7
Cash payment relating to fees incurred on acquisition of ASK	(9.1)	(1.3)	(6.1)
Share based payment – employee share plan	0.4	-	0.2
Finance costs – net	30.6	42.4	72.7
	39.3	41.2	70.2
Decrease/(increase) in trade and other receivables	4.0	5.1	(4.8)
(Increase)/decrease in inventories	(0.4)	(1.6)	3.1
Increase/(decrease) in trade and other payables	4.5	(7.1)	(12.5)
Cash generated from operations	**47.4**	**37.6**	**56.0**

11. IAS 39 transition balance sheet

The Group adopted IAS 32, 'Financial instruments: presentation and disclosure' and IAS 39 'financial instruments: recognition and measurement' from 27 June 2005. In the preparation of the comparative figures within this report under IFRS, the Group applied the hedge accounting rules of UK GAAP, taking advantage of the exemption under IFRS 1, 'First time adoption of IFRS'. Under this exemption, interest rate swaps, commodity and foreign exchange contracts that were previously accounted for as fair value hedges under UK GAAP were not measured at fair value within the financial statements. On adoption of IAS 39 the differences between the financial instruments previously reported carrying value and their fair value has been reflected within opening reserves.

IAS 39 required the Group to recognise transitional adjustments in accounting for its financial instruments. This affects the treatment of the Group's interest rate swaps, which were previously treated as cash flow hedges of forecasted transactions and were not recognised prior to their date of settlement. These instruments are considered to be non-qualifying hedging instruments at the date of transition and have been recognised at fair value. The effect is to increase the Group's liabilities by £1.8m, with an associated deferred tax asset of £0.5m, giving a net increase in net liabilities at 27 June 2005 of £1.3m

11. IAS 39 transition balance sheet continued

Restatement of consolidated balance sheet to include IAS 32 and IAS 39

	27 June 2005 £m	IAS 39 transition adjustment £m	Restated including IAS 39 £m
Assets			
Non-current assets			
Intangible assets	288.7		288.7
Property, plant and equipment	198.4		198.4
Trade and other receivables	9.6		9.6
Total non-current assets	**496.7**		**496.7**
Current assets			
Inventory	9.5		9.5
Trade and other receivables	22.2		22.2
Cash and cash equivalents	28.1		28.1
Total current assets	**59.8**		**59.8**
Total assets	**556.5**		**556.5**
Liabilities			
Current liabilities			
Trade and other payables	(68.6)	(1.8)	(70.4)
Borrowings	(385.6)		(385.6)
Corporation tax liabilities	(0.9)		(0.9)
Total current liabilities	**(455.1)**	**(1.8)**	**(456.9)**
Non-current liabilities			
Borrowings and other liabilities	(200.4)		(200.4)
Deferred tax liabilities	(33.1)	0.5	(32.6)
Total non-current liabilities	**(233.5)**	**(0.5)**	**(233.0)**
Total liabilities	**(688.6)**	**(1.3)**	**(689.9)**
Net liabilities	**(132.1)**	**(1.3)**	**(133.4)**
Equity			
Capital and reserves			
Attributable to equity holders	(151.1)	(1.3)	(152.4)
Minority intersets	19.0		19.0
Total equity	**(132.1)**	**(1.3)**	**(133.4)**

Introduction

We have been instructed by the company to review the financial information for the 28 weeks ended 8 January 2006, which comprises the consolidated balance sheet as at 8 January 2006 and the related consolidated interim statements of income, cash flows and changes in shareholders' equity for the 28 week period then ended and related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority.

As disclosed in Note 1, the next annual financial statements of the Group will be prepared in accordance with accounting standards as adopted by the European Union. This interim report has been prepared in accordance with the basis set out in Note 1.

The accounting policies are consistent with those that the directors intend to use in the next annual financial statement, As explained in Note 1, there is, however a possibility that the directors may determine that some changes are necessary when preparing the full annual financial statements for the first time in accordance with accounting standards as adopted by the European Union. The IFRS standards and IFRIC interpretations that will be applicable and as adopted by the European Union at 2 July 2006 are not known with certainty at the time of preparing this interim financial information.

Review Work Performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the disclosed accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the Company for the purposes of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, 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.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the 28 weeks ended 8 January 2006.

Pricewaterhouse Coopers LLP
Chartered Accountants
London
15 March 2006

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