

Interim report

28 weeks to 13 January 2008

GONDOLA
GROUP LIMITED



ASK

Zizzi



The Gondola Group is the market leader in the UK casual dining sector, operating PizzaExpress, ASK and Zizzi, together with a number of smaller brands. The Group employs over 12,000 people, serving around 35 million meals a year in over 540 restaurants.



Introduction



Following last year's acquisition by Cinven and management, Gondola has continued to perform well.

Gondola's financial performance in the first half of 07/08 has remained strong, as the management team has continued to implement a series of changes across the business and build upon Gondola's leading market position.

Our strategy of focusing on 'restaurant basics' – combining great food, the best people and a wide range of stylish locations, to deliver a memorable customer experience – continues to be at the heart of what we do across our portfolio of brands.



Food



PizzaExpress, with over 335 restaurants, is both our original and largest brand. PizzaExpress' Autumn menu, which was launched in October, was extremely successful. In particular, the new style of 'Romana' pizza as part of the Roman theme, which was introduced in the previous Spring menu, proved to be very popular with customers. Indeed a number of the 'Romana' pizzas have since become best sellers on the menu. These successes have been followed in March by the launch of a new Spring menu with its 'viva tomato' theme, together with the launch of an updated wine menu.

We have been developing a series of significant menu changes within Zizzi as part of a broader process to sharpen the customer proposition. A wide range of new menu items have been developed and trialed in H1, with initial changes to the menu now implemented and a further phase of changes due to follow. In conjunction with these food initiatives, we are developing a new 'look and feel', together with explicit branding changes, which will add considerably to our engagement with customers. Zizzi is perceived as our more upmarket, special occasion brand. The brand development is aimed at re-styling the restaurant environment and improving the service offering, alongside the menu changes described above.

We anticipate rolling out these changes to the 90 Zizzi restaurants in a phased approach starting later this financial year.

ASK provides a broad Italian menu in an informal, friendly environment across its 115 restaurants. Evolution of the ASK brand is also underway, with ongoing menu development in parallel with a wider review which will continue in H2 prior to implementation.

Innovation has not been confined to our three main brands. We have also continued development work on early stage brands, and have established a new brand to offer a fantastic burger experience in a full service setting. Byron has been established in its first London site to provide 'proper hamburgers' in a stylish, contemporary setting and initial performance has been very encouraging.



Locations



We have had considerable success with our site opening programme in H1, exceeding our plans in terms of initial trading levels. We opened a total of 13 new restaurants, as well as continuing our regular programme of refurbishments to ensure that the high quality of our estate is maintained.

Continuing our broad geographical coverage, our new additions were:

PizzaExpress:

Falmouth, Worcester, Teesside Park, Brighton, Derby, Kendal and Stevenage

Milano (PizzaExpress' brand in Ireland):

Dublin

ASK:

Broadstairs

Zizzi:

Milton Keynes, Sheffield, Kenilworth and Manchester

With even more new sites contracted, we expect to exceed our original target of 30 openings for the full year. Furthermore, with the performance of our recent openings exceeding targets, and encouraging on-going development of our pipeline for new sites, we are planning to accelerate our rate of openings in 08/09.



People



Harvey Smyth was appointed as Group CEO last year, following the acquisition. We have since made a number of important changes in H1 of this year to further strengthen and focus the management team.

Having centralised our property functions last year, we appointed Kieran Pitcher in June as our new Group Property Director. He combines a knowledge of both the restaurant sector and wider leisure elements of the property market and he has used H1 to, amongst other things, improve our pipeline of new sites.

Mark Angela was appointed CEO of PizzaExpress in September, bringing with him an excellent mix of leisure and consumer products experience. Following Nigel Garfitt's appointment as CEO of the ASK Group last year, incorporating both the ASK and Zizzi brands, we appointed Emma English, an executive with considerable restaurant industry experience, as MD of the ASK business.

We appointed Neil Wickers as MD of New Development with responsibility for nurturing our incubator brands. Neil and his team opened our Byron format in December.

We are confident that the management team now in place will provide clear direction for each part of the business and deliver our ambitious plans for the future.

Alongside these leadership changes, we have continued to make further investments in the recruitment, training and development of all our people at all levels across each of our businesses.



The way we work



There have been three principal areas of change during H1 of the financial year.

Firstly, we have continued our centralisation of group functions that can be leveraged across all of our brands. In September we announced our plans to establish a Shared Service Centre in Uxbridge which will provide accounting, administrative and IT support for all of the restaurants in the Gondola family. Since then, our teams have been working hard to implement this new centre, and we are now in the final stages of this process, with completion due prior to the end of our financial year.

In December, we established a new office in Marylebone, bringing together our management and other 'front office' activities (such as operations, finance, marketing and human resources) into one place. Whilst we intend to retain competitive independence for each brand, this allows us to share best practice and ensure efficient ways of working, including the benefit of other centralised group functions such as supply chain and property.

We have also made significant operational changes to the way in which the ASK Group is organised. Previously, operational management teams typically worked for both the ASK and Zizzi brands. In order to facilitate more focussed energy and commitment to develop each of these brands independently, we have now implemented a major change, separating our teams so that they are now focussed on only one brand. This is in line with our general strategy of retaining healthy competition between our brands, and also reflects the fact that we are developing each brand with a differentiated consumer proposition.



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Supporting our local communities



Our brands are familiar faces and are close to communities throughout the UK. PizzaExpress' Schools Programme, developed in association with Education Business Partnerships, engaged with over 45,000 primary school children in 2007. This programme gives children an introduction to the workplace, a chance to see the practical application of subjects learnt at school and an experience to build on back in the classroom.



PizzaExpress has continued its long-term support of the 'Venice in Peril' charity, which was set up to help in the restoration of Venice. A 25p contribution from every Veneziana pizza sold goes to this fund which has raised £1.6 million since it was set up in the late 1960s.

In Autumn 2007, PizzaExpress partnered with the Daily Telegraph to raise funds for Kids Company, a charity that offers practical, emotional and educational support to inner city children whose lives have been affected by parental neglect, drug-taking and violence. Casilda Grigg, deputy editor of the Weekend



Telegraph, and Antonio Romani, head chef at PizzaExpress, created the 'Casilda' pizza. A contribution from sales of this pizza paid for a meal for 800 deprived children at Kids Company on Christmas Day.

In 2007, PizzaExpress began a relationship with FareShare, a national charity that helps to relieve food poverty by providing quality food to organisations working with disadvantaged people. The company will donate its surplus food to FareShare who will then redistribute nationally.

ASK and Zizzi also donated vouchers to charities that support babies, children, adults and the elderly, ranging from nationally-known charities such as Crisis to local groups such as the Amersham on the Hill Scout Group.

Early in H2, ASK has supported 'Kiss It Better', a national appeal by Great Ormond Street Hospital to fund research into the causes and treatment of childhood cancer. They raised over £70,000.



Recent trading & outlook

Our financial performance in H1 showed continued growth, despite the softening in general economic conditions. We traded well through the Christmas and New Year period and we have also had a strong start to H2, underlining the appeal of our different offerings to a broad base of customers.

I would like to thank all of our people for their continued enthusiasm and commitment to making each of Gondola's businesses a success.

Chris Woodhouse
Chairman



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