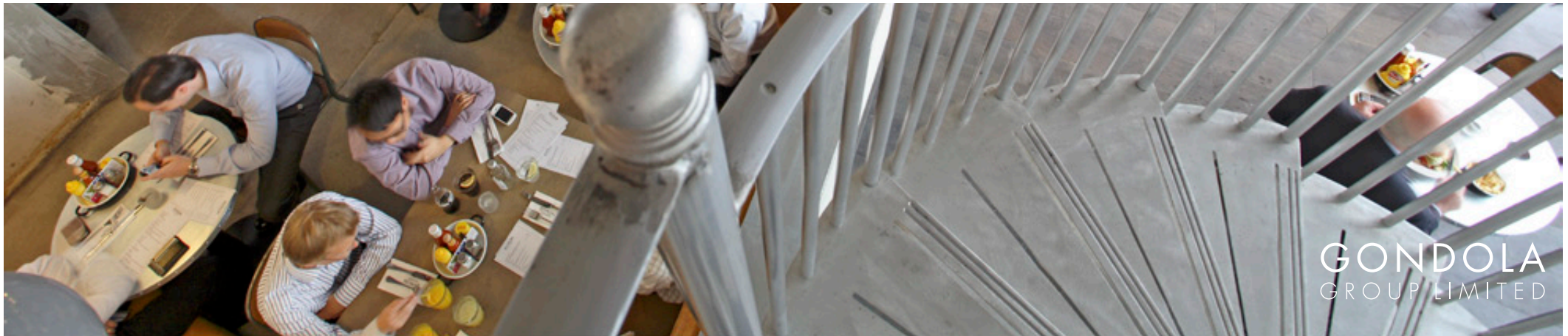


Half year statement 2011

Outstanding brands



GONDOLA
GROUP LIMITED

PizzaExpress	04	Zizzi	08	ASK	11	BYRON	14	Kettner's	16
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"Gondola's performance in H1 of our financial year has been very pleasing against a backdrop of challenging economic conditions."

Our brands continue to demonstrate outstanding profitability and trading momentum versus the market as a whole.

In today's environment, customers are looking for value, and within this a highly enjoyable way to spend their precious leisure time. We remain passionately focused on providing both and we believe that as our brands evolve their individual customer propositions, we will continue to lead the way in all aspects of the casual dining sector.

It was disappointing that the key Christmas trading period was impacted by unusually heavy and sustained snowfall over a number of weeks, coming at the most important point in the build up of seasonal trade. That said, our teams coped admirably in difficult conditions to ensure that as many customers as possible were still able to enjoy their plans.

Since then, H2 has started with steady trading but we remain cautious about consumer demand. Consequently, we see the outlook for the balance of this financial year as likely to be challenging, with spending remaining under pressure.

Despite fragile consumer confidence, we are in a strong position, and with an objective of longer-term growth, we are seeking to capitalise on this by maintaining our ambitious roll-out plans. We have opened 19 restaurants in H1 and we are on track to open over 40 by year end. This level of investment, together with our extensive programme of refurbishments and transformations, is an indication of our overall confidence in the prospects for our business.

As always, thanks must go to our loyal and hard-working employees who are critical to our customers' enjoyment and thereby our continued success.

Chris Woodhouse
Chairman



The Gondola Group is the market leader in the UK casual dining sector, operating PizzaExpress, Zizzi and ASK, together with the smaller brands of Milano (PizzaExpress' brand in Ireland), BYRON and Kettner's. The Group employs approximately 16,500 people, serving over 40 million meals a year in over 600 restaurants.

Gondola's restaurants are positioned to offer a great eating out experience and exceptional value for money, with typical spend per head (including value added tax) ranging from £14 to £18. Gondola's distinct brands have broad appeal and lend themselves to different occasions. Its estate of restaurants trade successfully in a variety of location types, from high street and local neighbourhoods, to shopping centres and retail and leisure parks.

Our strategy

Gondola has always maintained a simple strategy to:

- **deliver growth in profits from the existing estate**
 - we focus on 'restaurant basics' to deliver quality and value to our customers
 - we are using increasingly sophisticated marketing techniques to engage with our customers
 - we proactively manage our cost base and working capital to maintain or improve margins and maximise cash flow
- **expand the estate through the roll-out of our key brands**
 - we have maintained strong momentum in our openings programme despite the economic backdrop
- **develop other growth opportunities, including new concepts and other revenue streams**
 - the emerging BYRON business is a great example

PizzaExpress	Zizzi	ASK	BYRON	Kettner's
With its roots in Soho and jazz, this iconic brand was founded by a passionate foodie way back in 1965, and has been pioneering casual dining on the high street ever since	An Italian restaurant with strong personality, often a place for special occasions, and in the process of a transformation to an exciting new brand identity	Established in 1993 as the first Italian restaurant brand in the UK, ASK offers customers great Italian food in stylish contemporary settings	The emerging brand that is fanatical about its simple, superb quality hamburgers, 'the way they should be'	Iconic Soho champagne bar and restaurant
384 Restaurants	114 Restaurants	125 Restaurants	12 Restaurants	£33 Average spend per head (restaurant)
+9 New this half year	+5 New this half year	+2 New this half year	+3 New this half year	
£14 Average spend per head	£18 Average spend per head	£17 Average spend per head	£16 Average spend per head	

We have had a very busy and productive six months both in terms of innovation, building our technological capabilities and organic growth.



Crowd-sourcing in the kitchen

For the first time, we used 'crowd-sourcing' to discover the nation's next top pizza. In July, we launched 'The Create Your Pizza Challenge', asking customers for their favourite pizza recipes, encouraging entries by offering the winner £5,000 and a place on our menu. 53,000 people entered, including teen sensation Nick Jonas, X-Factor singer Lucie Jones, entrepreneur Levi Roots and the Women's Institute. A judging panel, led by The Sunday Times food writer Lucas Hollweg and Francesco Mazzei of the acclaimed restaurant L'Anima, decided on a five-strong shortlist. 60,000 people then voted for their favourite, and the winning pizza, 'Da Morire Pizza' – meaning 'Pizza to die for' – is now on the menu across all 384 restaurants. In tandem, we ran a competition internally asking our employees for their pizza recipes. The winning pizza from this competition, the Monte Bianco created by pizzaiolo Mariann at Stratford East, also went on the menu in January 2011.

Below:
Winner of 'The Create Your Pizza Challenge'



Our people

The business continues to be a people-strong culture. Most recently we created an award-winning recruitment website that has proved to be engaging and accessible to prospective team members. Programmes like this have helped us maintain our industry-leading retention figures by focusing on recruiting and developing individuals who are passionate about the brand and our customers.

New openings

We've continued to open beautiful new restaurants across the estate alongside our ongoing refurbishment programme. A clear openings process and dedicated team resource have enabled us to consistently deliver strong returns which are sustained.

Bury (Rock Place)
Bath (Southgate Centre)
London (Herne Hill)
Leeds (Headingley)
Basingstoke (Festival Place)
Manchester (Oxford Street)
Liverpool (Victoria Street)
Ennis (O'Connell Street)
Stockport (Bramhall)

Keeping innovation alive at the heart of the business

Last autumn we took one of our restaurants and turned it into a 'living lab', a perfect space to try out new ways of doing things, looking at just about every aspect of the restaurant experience from design and service to food and music.

To do this we worked with talented creatives including award-winning designer Ab Rogers and Italian acoustician Sergio Luzzi, who looked at redefining the restaurant space and how we manage sound better on the high street. This resulted in a pioneering design that reduced unwanted noise by half, as verified by BBC 2's See Hear, who road-tested the acoustics in the 'living lab' and reported that the decibel level had been significantly reduced, making the restaurant half as noisy.



New openings

We've continued to open beautiful new restaurants across the estate alongside our ongoing refurbishment programme. A clear openings process and dedicated team resource have enabled us to consistently deliver strong returns which are sustained.

New this
half year

+9

One of the ways we experimented with how we manage and motivate our teams was to revisit how we recruit, train and reward our people. We worked with Karl James, a conversation expert, to help our teams bring their personalities to work, and with Carrie Longton, co-founder of Mumsnet and a parenting expert, who helped us create a service treaty for adults dining out with children.

Over the next few months we will be taking the new elements that have worked well in the 'living lab', modifying them so that they become scalable, then trialling them in other PizzaExpress restaurants to see how they perform.

Strong brand health

We have continued to build the brand through digital, social media and external communications. Activities like our Create Your Pizza Campaign and our weekly Italian Lessons on Twitter have helped substantially to increase the number of followers in these channels and keep positive word of mouth about the brand high.

Our promotional and partnership strategy continues to pioneer new ways of engaging customers, supported by the development of increasingly sophisticated marketing and technological approaches.

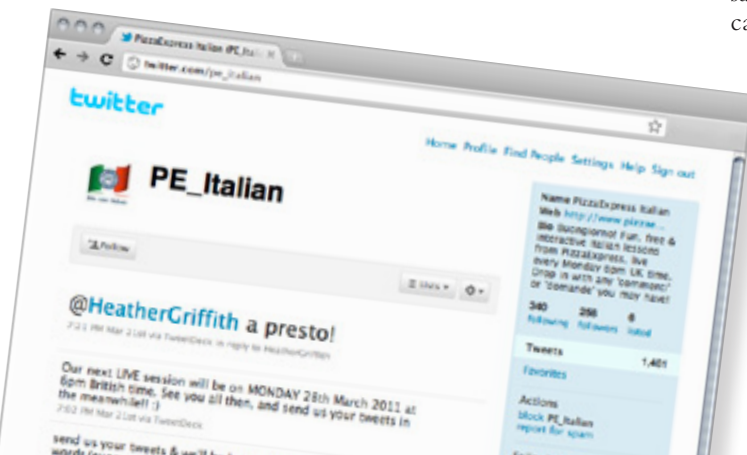
Beyond our restaurants

Our supermarket pizzas continued to lead the chilled pizza market achieving double digit sales growth. Over the summer we launched our first fully integrated marketing campaign across retail and restaurant, heroing one of our signature ingredients, our tomato sauce.

Supporting our communities

In September, Fairbridge became our 'Charity of the Year'. Together we're supporting young disadvantaged people between the ages of 13-25 to develop the confidence, motivation and skills they need to turn their lives around. During our year together we aim to help many young people through local fundraising events in our restaurants alongside donating 25p from every Etna pizza sold.

For our Christmas Charity Appeal we teamed up with Oxfam and raised £285,000, helping approximately 57,000 people around the world who are living in poverty. The six-week fundraising campaign gave customers an opportunity to satisfy both the celebratory and the caring sides of Christmas in one go. It encouraged people to shop in Oxfam stores and on Oxfam online and rewarded people who spent £5 or more in Oxfam with a £5 PizzaExpress voucher. There was also a donation from sales of Christmas menus and the Padana pizza over the festive period. Designer and Queen of Colour, Zandra Rhodes, also supported the campaign by raising funds through sales of her exclusively designed, limited edition campaign t-shirt.



We continue to focus on our environmental impact, changing the everyday habits of each of our restaurant teams. Various initiatives are in hand, addressing energy saving and recycling. Our biggest energy use is in air conditioning units and ovens, but our energy saving measures have covered everything from installation of new, more efficient, Dyson hand driers to changing our digital music systems to run off our office PCs rather than dedicated systems.

The brand continues its long-term support of the Venice in Peril charity, which was set up to help the restoration of Venice. And the PizzaExpress School Programme, developed in association with Education Business Partnerships, continues to engage primary school children across the country.

International

In September we bought back the International Franchise business. This consists of approximately 50 sites of PizzaExpress and Pizza Marzano branded restaurants in 12 territories including China, Europe, Hong Kong, Japan and the Middle East. Since then we have been working closely with the franchisees to help them reach their growth plans.

Looking ahead

PizzaExpress is in a strong position going into H2. We remain focused on growing our existing estate via world class restaurant basics, continuing our strong pipeline of profitable new openings and building our retail business. We have robust plans for the next 12 months and in particular we will continue to develop new marketing capabilities, especially around customer understanding and promotional activity programming, whilst tapping into our customers' deep-rooted affection for the PizzaExpress brand ■



Transformation well underway.



Transformations

In H1, Zizzi opened a further five stunning new restaurants in primary locations across the UK. This, coupled with seven transformations, contributed to a strong start to the new financial year. Despite a much more challenging trading environment, Zizzi has held its own and continues to perform well, particularly in the new and refurbished restaurants. The revitalised brand proposition is clearly resonating with customers and we are becoming increasingly confident that we now have a well defined and differentiated experience to offer.

New openings

Glasgow (West End)

Pinner

Inverness

London (One New Change)

London (St. Giles Plaza)

Transformations

In H1, Zizzi opened a further five stunning new restaurants in primary locations across the UK. This, coupled with seven transformations, contributed to a strong start to the new financial year.

New this
half year

+5

Each new restaurant is supported by an aspiring talent. In the case of Glasgow, West End, we collaborated with four young graduates from the Glasgow School of Art who only started on their illustrations once the restaurant opened its doors to the public. This idea, Tela Vota (Italian for blank canvass) captured the imagination of diners and media alike and the restaurant not only looks incredible but has also become a local talking point. In Inverness we worked with a 'writer in residence' and at St. Giles, a young ceramicist worked on the spectacular white tree, the centrepiece of the restaurant. Another development was the introduction of 'Sessions at Zizzi', a showcase for aspiring musicians. Our restaurant at St. Giles Plaza proved to be the perfect central London location, being close to the heartland of jazz in the city, and this is now a regular feature.

Fresh talent and menu innovation

Our fresh talent programme continues to inspire and attract great publicity. An exciting new development is how this ambition has extended to our menu innovation. Kitty Travers, a young artisan ice cream maker, has created a range of all natural Gelato using milk and cream sourced exclusively from an organic dairy co-operative in Wales. The Italian-inspired range is proving to be really popular and by working with us, Kitty has been able to apply her considerable talents, previously only enjoyed through her homemade gelato sold at farmers' markets, to full-scale production. Our collaboration has also provided a sustainable solution for the organic dairy farm, Calon Wen in Carmarthenshire.



The Prince's Trust

In contrast, we are also offering a different type of opportunity to the many young vulnerable people working with The Prince's Trust. We're engaged in fundraising activities, through Pennies, the electronic charity box and employee-led initiatives. Most importantly of all, we're also providing work placements in our restaurants to those young people who are ready to take a step into employment but who lack the skills and self-confidence required. Zizzi has also become a Patron of The Prince's Trust, the first restaurant group to do so, and we're keen to build awareness for their great work as well as encouraging young people to consider a career in hospitality.

Team work

We're proud of our teams and the standards in our restaurants. Turnover of staff has reduced dramatically in the past year and we're confident that our people are engaged in the Zizzi vision. Furthermore, we have committed to develop people from within and provide opportunities for promotion. In July of last year we formed a Senior General Manager group, as well as creating new roles in Operations. These key appointments, combined with a personal development programme called 'Talking Talent' for every employee in the business, reflect the importance we place on every individual in every role.

Looking ahead

Zizzi is in a good place. We have carved out a unique position within the premium, casual dining sector. Our restaurants are being transformed, and our food and menu are continuously improving. We're also focused on delivering a great experience for our customers. Inspired by the BBC 2 programme featuring Michel Roux Jnr in which we featured, we're now fully committed to driving service standards and taking front-of-house hospitality to a new level in our sector ■



DESSERTS		
TORTA LIMONE	A freshly prepared tart with sharp, sweet lemons and a creamy texture. Served with vanilla mascarpone	5.25
TABAIONE	A rich custard style dessert with vanilla, mascarpone and Marsala wine, topped with amaretti biscuits	4.85
TORTA CIOCCOLATA	Thick, crisp hazelnut and chocolate base topped with a rich chocolate torte. Served with vanilla mascarpone	4.95
TORTA ESTIVA	An indulgent warm cherry tart with almond frangipane, served with a scoop of ice cream	3.55
GELATI E SORBETTI	Two scoops of creamy ice cream or refreshing sorbet. Please ask your waiter for today's flavours	4.85
TORTA AMARETTI	Creamy mascarpone cheesecake sweetened with Amaretto liqueur, served with a fruit compote and fresh mint	4.95
TIRAMISU	Light sponge soaked in a little espresso and liqueur, layered with plenty of mascarpone and cocoa	4.95
PNACOTTA	Our Italian speciality, our creamy vanilla panna cotta is served with a fruit compote	4.95
ICE MELT	A dessert with a soft, melting centre, served with wine or ice cream	5.35
AMANTE	Baked in sweet Amaretto liqueur, then oven-baked with icing. Made fresh to order and served with ice cream	
SPIRITS		
AMARETTO, COURVOISIER, GRAPPA, LIMONCELLO, TIA MARIA, SAMBUCA	25ml	2.95
BAILEYS	50ml	2.95
DESSERT WINE		
GEWÜRZTRAMINER, CHILE	100ml Glass	4.95
An elegant, aromatic Chilean Gewürztraminer that partners any of our desserts very happily	375ml Bottle	14.95
HOT DRINKS		
FRESH GROUND COFFEE		1.75
ESPRESSO / DOUBLE		1.75 / 1.95
CAPPUCCINO / LATTE		1.85
ENGLISH TEA		1.85
FRESH MINT TEA		1.85
FRUIT AND HERB TEAS		1.75
HOT CHOCOLATE		3.95
AMARETTO COFFEE		

On a path to transformation.



A new proposition

It has been an exciting H1 for ASK as we have growing confidence and clarity behind our new customer proposition, which is now present in seven transformed sites and two new sites. Driven by a brand vision to become 'Italian Lovers' by caring obsessively about every detail of the restaurant and executing that vision in a fresh, bold, genuine way, the new proposition transforms all aspects of the restaurant. The new menu reflects a range of contemporary and classic dishes with an emphasis on really fresh, authentic ingredients prepared with pride and passion. The restaurant interiors, inspired by Milanese design, are simple, stylish and individual with bright confident colours and warm wood finishes. Great importance is placed on motivating our people in order to have happy restaurant teams that are excited about our food and vision. They are encouraged to deliver a service style that is friendly and efficient, bringing their personalities to work.

Rolling out the new proposition

Behind this growing confidence, key elements of the proposition will be introduced across the estate in H2 – the new menu, key pieces of furniture and small wares. In addition, six more restaurants will be completely transformed by the end of the financial year.

Already in restaurants

In September, we introduced 'Amici', our new service proposition, into all of our restaurants, a warm friendly service style that is natural and genuine – very different from traditional robotic steps of service. We are tracking our progress through a new Mystery Diner report and have made significant step changes since its introduction. Coupled with delivering Amici we rolled out a new personality-based approach to recruitment.

A phased roll-out of the menu starts with the launch of our new pastas in March. New dishes include Linguine alla Genovese and Ravioli Marittimo, made with crayfish, crab and poached salmon. The launch will be supported by fresh new creative and promotional materials across integrated media.

Building our core business

The core estate has been supported by an ongoing programme of activities both inside and outside restaurants. Our rotating specials menu has showcased some fantastic Italian favourites, as have our seasonal and weekend set menus. Externally we continue to execute a variety of promotional campaigns primarily via our database (now over one million people).

Helping others

We continued our partnership with Great Ormond Street Hospital, generating donations from sales of our Celebrity Cook book as well as from sales of Celebrity pasta dishes on our specials menu. Over £175,000 has been raised to date which has helped fund a new ward kitchen at the hospital. Team members from restaurants that sold the most celebrity pasta books, won the opportunity to join in the fun at the Great Ormond Street Hospital Christmas party together with over 2,000 children and parents.

Growing the family

We have successfully opened two new ASK Italian restaurants in the first half of the financial year – Solihull and Dorking. Upcoming plans include new restaurants in Bolton, Norwich and Horsham.

New this half year

+2



Growing the family

We have successfully opened two new ASK Italian restaurants in the first half of the financial year – Solihull and Dorking. Upcoming plans include new restaurants in Bolton, Norwich and Horsham.

Next steps

It is an exciting time for ASK, as we continue to expand our proposition across other areas of the menu (wine, kids, hot drinks), develop even greater personality to our brand identity via our in-restaurant and marketing communication, and build stronger relationships with our customers via new and existing media. In addition we continue to recruit, train and engage our teams in meaningful ways that reinforce our passion for food and develop a culture of 'Italian Lovers' across the business ■



BYRON – the way a hamburger restaurant should be.



BYRON continued its rapid expansion in H1, successfully opening three London restaurants at Old Brompton Road, Cheapside and Earl's Court Road bringing its total estate to 12. The brand continues to win critical and popular acclaim for its individual approach to restaurant design and launch marketing, which includes use of social media and database marketing.

Work continued on developing the brand positioning and personality which resulted in a successful test of new signage, website, menus and associated materials, which will now be rolled out to the whole estate.

Our mobile hamburger unit (The Shack) completed its first season, serving proper hamburgers at festivals, street parties and private events – proving to be an innovative vehicle for raising brand awareness and communicating our values, whether in a field on the Isle of Wight or the car park of a London pub.

In November, we partnered with the moustache-growing charity Movember to raise money for prostate cancer, introducing a reward scheme for fundraisers and a hamburger special from which we donated proceeds. Over 1,500 Movember fundraisers participated in the scheme, helping to raise awareness and funds. BYRON raised £25,000 for this worthwhile charity.

Our continued success relies on developing and maintaining robust processes to deliver operational excellence as the business grows. Programmes to maintain and improve food quality, service excellence and team recruitment and development were all introduced during the period, which we will continue to refine and evolve in the coming months.

The future for BYRON is exciting. Our energy will be focused on continuing to grow the business at a pace, establishing this young, energetic and ambitious brand on the high street ■

Expansion

BYRON continued its rapid expansion in H1, successfully opening three London restaurants at Old Brompton Road, Cheapside and Earl's Court Road bringing its total estate to 12.

New this
half year

+3



A 'Grande Dame' of Soho dining.



Kettner's has been a house of aristocratic indulgences of all kinds since 1867 and now we can all enjoy its unique offering. Its three core businesses – the champagne bar, brasserie and function rooms – have all continued to perform well with record sales over the Christmas period.

The function rooms continue to grow from strength to strength, attracting corporate functions for media, beauty and professional services companies together with private parties and wedding receptions ■

Grande Dame

Kettner's has been a house of aristocratic indulgences of all kinds since 1867.

Record sales
over the
Christmas period



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