The
Restaurant
Group plc

Annual Report 2020

The Restaurant Group plc operates approximately 400 restaurants and pub restaurants. Its principal trading brands are Wagamama and Frankie & Benny's. The Group also operates Pub restaurants and a Concessions business which trades principally at UK airports.

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"The Covid-19 pandemic has presented enormous challenges for our sector but the TRG team has responded decisively to re-structure our business whilst preserving the maximum number of long term roles for our colleagues. TRG is operationally a much stronger business than 12 months ago. I would like to sincerely thank each and every TRG colleague for their enormous efforts throughout this period."

Andy Hornby
Chief Executive Officer

Our brands

TRG operates a diverse portfolio of popular brands, each with their own unique and differentiated offering, but all with great hospitality at their core. Our portfolio offers something for everyone.

wagamama

149* Sites

Wagamama first opened its doors in 1992 in London's Bloomsbury. Inspired by fast-paced, Japanese ramen bars and a celebration of Asian food, Wagamama burst into life creating a unique way of eating. Bringing the fresh, nourishing, flavours of Asia to all.

* This relates to UK full-service restaurants as well as five delivery kitchens. Trading estate as at 27 December 2020.

Brunning & Price LIMITED

78* Sites

Set mostly in rural locations, each pub within the Brunning & Price family is unique, but all share a common love of local cask ales, decent, affordable wines, genuine hospitality and wholesome dishes cooked using the freshest ingredients.

Our characterful buildings are often set in beautiful surroundings and we go to great lengths to restore and preserve them, offering a timeless, calm, informal setting for people who like to meet, eat, drink and talk in a relaxed, friendly atmosphere.

Our Managers look upon the pub as their own, making local decisions to reflect what their customers favour, making us very much the heart of the community.

* Trading estate as at 27 December 2020.

Frankie & Benny's

105* Sites

Welcome to a place where genuine Italian passion blends with the confidence of New York City, the fusion that created the Frankie & Benny's we all know and love today. Our passion for great Italian American food, a welcoming atmosphere and warm and friendly service is second to none. Welcome to Frankie & Benny's – where 'have a nice day' meets 'la dolce vita'.

* Expected trading estate as at 27 December 2020.

trg concessions

35* Sites

TRG Concessions has over 25 years' experience of providing exceptional hospitality to the travelling public and beyond. Our brand portfolio includes table service, counter service, sandwich shops, pubs and bars. We deliver existing TRG brands, create bespoke concepts and establish partnerships to franchise third-party brands. Our record of innovation, partnership, and performance ahead of sector growth will ensure we remain a market leader in this industry.

* Expected trading estate as at 27 December 2020.

CHIQUITO RESTAURANT BAR & MEXICAN GRILL

22* Sites

Chiquito has been delivering the best of Mexican cuisine for 30 years. Delivering fantastic food in a fun, fiesta-style environment is what the team are passionate about. Whether you want to embrace our Mexican heritage by wearing our iconic sombreros or just enjoy some classic dishes and drinks, Chiquito offers a fantastic experience for all.

* Expected trading estate as at 27 December 2020.

FIREJACKS MEAT | FIRE | FRIENDS

3* Sites

At Firejacks our mantra is simple 'Meat. Fire. Friends'. We pride ourselves on delivering an unparalleled restaurant experience where food innovation is at the heart.

* Expected trading estate as at 27 December 2020.

COAST TO COAST AMERICAN RESTAURANT & BAR

2* Sites

FILLING STATION

3* Sites

Coast to Coast offers a unique and authentic take on American home-style dining with an extensive menu spanning the length of the USA.

* Expected trading estate as at 27 December 2020.

Chairman's statement

"As we look forward, despite all of the challenges of the pandemic, the business is well positioned to deliver long-term shareholder value."

2020 has been an extraordinarily difficult period for the hospitality industry, which has arguably been more affected by the repercussions of Covid-19 pandemic than almost any other sector. In spite of this, the Group's leadership acted with pace at the onset of this pandemic to protect the business and have rigorously and diligently executed a series of actions to ensure that we remain well positioned to rebuild trading momentum once restrictions are lifted in the medium-term and to leverage potential market opportunities in the long-term.

Our reported results reflect that we have been closed for 'dine-in' in many of our restaurants for a very significant proportion of 2020, including two periods of complete lockdown and selective lockdowns through the tiering policy, which saw many of our pubs and restaurants categorised as 'takeaway' or delivery only. Our Concessions business has, in the main, remained closed throughout the year.

As a result, total revenues in the year were down 57% to £459.8m. More positively, in the periods where we were allowed to trade for 'dine-in' (which also benefitted from the Eat Out to Help Out scheme and VAT reduction), Wagamama continued to deliver exceptional like-for-like ('LFL') sales growth, trading well ahead of its core UK market and ahead of management expectations. Throughout the year the business achieved substantial growth through delivery and 'click and collect' channels, attracting a number of customers new to delivery and to Wagamama. Similarly, our Pubs business continued to trade consistently ahead of the pub restaurant sector when open for 'dine-in', and our restructured Leisure business showed improved LFL sales growth when it was allowed to open, the first time it has shown growth for five years.

In spite of heroic efforts to reduce our operating costs during the year, (reduced to just c£3.5m per month during the first national lockdown), adjusted losses before tax were £87.5m (2019: profit of £74.5m). The adjusted Loss per Share (LPS) was 13.4p per share compared to an adjusted Earnings per Share (EPS) of 11.9p in 2019. Statutory loss before tax was £127.6m (2019 loss before tax of £37.3m) including exceptional charges of £40.1m (2019 £111.8m) relating primarily to the restructuring charges explained in detail in the Financial Review section. Statutory LPS was 21.3p (2019: EPS 8.2p). These results also reflect the first-time implementation of IFRS 16 'Leases' in the current year, but comparatives have not been restated. On an IAS 17 basis, Adjusted EBITDA was £8.7m (2019: £136.7m) and Adjusted loss before tax was £47.9m (2019: profit of £74.5m).

Our priority throughout this pandemic has been the safety of our colleagues and customers and the preservation of cash, with all non-essential spend avoided. With that as a backdrop, the team have taken a range of actions including contract negotiations with our supportive supplier base, agreement of deferred payment plans, a significant reduction in capital expenditure to £38.9m (2019 £73.3m), accessing Government support where appropriate and taking voluntary pay and fee reductions and bonus waivers.

To strengthen our liquidity, we carried out a placing of shares on 8 April 2020, which raised net proceeds of £54.6m from institutional shareholders. We also achieved flexibility in our banking facilities from our supportive lending group, adding an additional £25m to the Group's overall committed debt facilities, as well as extending the majority of facilities to 30 June 2022. Post year-end, the Group secured long-term committed financing to ensure the long term security of the business.

We have also significantly restructured our estate through several initiatives, with our total estate now c. 400 sites, compared with 653 at the end of 2019. These initiatives included a CVA in the Leisure business, which resulted in the exit of 128 underperforming sites (primarily relating to the Frankie & Benny's brand); the administration of Chiquito Limited, resulting in the exit of 45 underperforming sites; the administration of Food & Fuel Limited, which resulted in the exiting of seven underperforming sites; and the exiting of over 30 economically unattractive Concessions sites.

During the year, Mike Tye and Allan Leighton stepped down from the Board as Non Executives. We'd like to thank them both for their contribution to the business. Graham Clemett became the Senior Independent Director and as previously announced, Alex Gersh joined the business as a Non-Executive on 23 February 2021. Alex is an experienced listed business CFO and was previously CFO of the FTSE 100 constituent, Paddy Power Betfair Group, where he played a key role in the merger of Betfair with Paddy Power plc and in driving the subsequent success of the combined business. He will become a member of both the Audit and Nominations Committees.

The Group now employs approximately 14,000 people and we sincerely thank each and every one of them for their extraordinary efforts during this most challenging year, along with other stakeholders who have continued to be supportive of the Group. The feedback from customers who have missed our brands has been uplifting for our teams and we appreciate their loyalty.

As we look forward, despite all of the challenges of the pandemic, the business is well positioned to deliver long-term shareholder value. We have differentiated brands, with the opportunity to grow our delivery penetration, whilst at the same time sector capacity has reduced materially.

The Board is encouraged by the welcome news of the initial success of the vaccination programme currently being rolled out, and is confident that the actions that we have taken provide us with strong foundations to emerge as one of the long-term winners once restrictions ease.

Debbie Hewitt MBE
Chairman

10 March 2021

Business review

> “TRG is operationally a much stronger business following the restructuring with four distinct pillars all capable of delivering good sustainable shareholder returns.”

Introduction
The Covid-19 pandemic and associated UK Government policy responses have had a very significant detrimental impact on the hospitality sector and on TRG’s ability to trade normally, and as a consequence its financial results and short-term outlook. In response to the pandemic, the Group has taken decisive action to protect the future of the business. The key developments are set out below and fall into three main strands:

1. Restructured the business

2. Recapitalised the business

3. Ready for Relaunching the business

1. Restructured the business
Actions taken
The Group has significantly restructured its estate through several initiatives, for example, the CVA of TRG UK Ltd (primary operator of the Frankie & Benny’s brand), and exiting of Concessions sites that are no longer economically viable, and achieving improved terms with the majority of its airport partners, including a waiver of rental payments for non-trading periods and temporary suspension of minimum guaranteed rents (‘MGR’s’) or reduced MGR’s linked to passenger volumes. This improved flexibility in the rental structure enables the Concessions business to partially mitigate medium-term passenger volatility on trading. Overall, lease liabilities (IFRS 16) have been reduced by c. 48% to £484m (from £933m as at 30 December 2019).

Current estate
Following the restructuring actions described above, the business has been reshaped and the retained estate is as below:

	Year-end 2019	CVA	Administrations	Closed[1]	Openings	Year-end 2020[2]
Wagamama UK[3]	148	–	–	(5)	6	**149**
Pubs	84	–	(7)[4]	(1)	2	**78**
Leisure	350	(128)	(45)[5]	(40-45)	–	**132-137**
Concessions	71	–	–	(36-41)	–	**30-35**
Total	653	(128)	(52)	(82-92)	8	**c. 400**

1. Ranges given in Leisure and Concessions estate as some sites still subject to negotiations with landlords and airport partners. Represents the total number of locations projected by the Group to be closed by 30 June 2021
2. Expected retained estate
3. Includes delivery kitchens
4. In total, the Food & Fuel Limited estate comprised 11 sites, 4 of which we achieved agreement with landlords and the administrator to retain
5. In total, the Chiquito Limited comprised 63 sites, 18 of which we achieved agreement with landlords and the administrator to retain

Diversified portfolio with four distinct pillars well positioned to deliver long-term shareholder value
The restructured Group is focused on addressing what it believes are attractive segments of the market and good locations, with increasing penetration of delivery and take-away components across the Wagamama and Leisure businesses. During the periods of re-opening in 2020, the Group’s businesses’ trading performance was in line with or exceeded that of their respective market benchmark, demonstrating their attractive positioning in the UK market. The Directors believe the four divisions of the Group are therefore well positioned across its diversified brand portfolio to benefit from a return to more normal levels of customer activity, as and when that occurs, and as a result deliver long-term Shareholder value:

Wagamama (c. 38% of retained estate)
Wagamama is the only UK pan-Asian brand concept of scale, with no large direct competitor, and benefits from being aligned to a number of consumer trends, including the focus on healthy options, speedy service and convenience through delivery. The Wagamama obsession with fresh food and superior levels of engagement amongst team members (with industry leading team turnover rate) are critical points of differentiation, with the cuisine also travelling extremely well for delivery and takeaway. The business has a five-year track record of consistent market LFL sales outperformance of over 5% pre-lockdown, and this continued during the period of reopening (according to the Coffer Peach tracker for restaurants). Delivery related sales penetration has also increased significantly, and the business is well positioned to win market share in the long-term structural growth trend towards delivery. Wagamama (excluding delivery kitchens) has a track record of delivering over 40% returns on invested capital and approximately £500,000 average outlet EBITDA (based on new openings between 2015 and 2017). The five Wagamama delivery kitchens currently in operation generate £225,000 average outlet EBITDA with over 75% return on invested capital. Given this track record, long-term ambitions include significant measured roll-out potential to expand both in the UK to a targeted c. 180-200 restaurants (from 144 today), c. 20-30 delivery kitchens (from five today), and in international markets via franchise and the US JV.

Pubs (c. 20% of retained estate)
The Pubs business benefits from their premium proposition, being situated in rural locations with outside space and limited competition nearby, as well as autonomy at a site level on menu selection which allows pubs to adapt rapidly to local trends. Approximately 50% of the Pubs estate has over 100 external covers, with the expansive buildings and grounds providing multiple ancillary trading opportunities. There is strong asset backing, with a freehold asset base valued at c. £153m (as of 27 December 2020, according to a third-party valuation report commissioned by the Group). The Group’s pubs have demonstrated excellent operational capabilities, with a well-established team and practices. TRG’s pubs have a five year track record through to 2019 of consistently outperforming market LFL sales by an average of 4%. The Pubs business also has a strong track record of delivering returns on invested capital of over 25% (on an adjusted leasehold basis[6]) and approximately £450,000 average outlet EBITDA (based on new openings between 2015 and 2017). Long-term ambition is for further selective site expansion and growing the business from 78 pubs today to a target of c. 140-160 pubs

Leisure (c. 33% of retained estate)
The Leisure portfolio has been significantly restructured, leading to a c. 60% reduction in the trading estate, through the exit of a large number of structurally unattractive leases, addressing a key prior weakness of the Group. Furthermore, the restructuring of the Leisure business has also seen improved rental structures, with the average lease maturity reduced from 6 to 2.3 years, and an increase in the number of sites with turnover based rental terms increasing from 13% to 66% (subject to minimum base rents). The Board believes that the resulting portfolio has the potential to achieve a higher average outlet EBITDA and EBITDA margin, with a significantly improved rental structure. The restructured estate represents c. 70% of the divisions FY 2019 outlet EBITDA. Delivery related sales penetration has also increased significantly, demonstrating that the business is well positioned to benefit from the macro trend towards delivery. The Group has recruited a new and experienced operational team to lead the long term recovery of the division and the long-term ambitions will focus on improving the cash generative nature of the division, maintaining the best sites in the strongest locations and increasing delivery penetration.

6. EBITDA assumed on leasehold basis at 6% interest on freehold component of investment

Concessions (c. 9% of retained estate)
The business has historically benefited from consistent UK passenger growth and traded ahead[7] of it. Given passenger volumes are significantly reduced at present and anticipated not to significantly improve until 2022, the Group has restructured its estate, with a projected 50% reduction in Concessions sites from 71 to between 30 to 35 sites compared to FY 2019. The restructured estate will principally comprise of sites located in the UK's major airports of Heathrow, Gatwick, Luton, Stansted and Manchester. The restructured estate will allow TRG to focus on delivering a higher average outlet EBITDA, as it represents c. 80% of FY 2019 outlet EBITDA. While there is not anticipated to be a significant improvement in airport passenger volumes in the immediate future, the Board believes that the resulting portfolio is well positioned to deliver attractive financial returns when air passenger growth returns to more normal levels of activity.

2. Recapitalised the business

£500m of new debt facilities
On 1 March 2021, the Group announced it had successfully signed commitments in relation to £500m of new debt facilities (the 'New Facilities'), which comprise a £380m Term Loan Facility (the 'Term Loan'), and a £120m Super Senior Revolving Credit Facility (the 'RCF').

The New Facilities provide the Group with enhanced liquidity and long-term financing until the maturities of the Term Loan and the RCF in 2026 and 2025, respectively. The Term Loan and, as required, an initial simultaneous drawing of the RCF will be used to repay and refinance in full all of TRG's existing debt facilities namely the TRG Plc RCF, the CLBILS Facility, the Wagamama Notes and the Wagamama RCF (the 'Existing Facilities') which were all due to reach maturity by or before July 2022.

Following the utilisation of the New Facilities, and the repayment of the Existing Facilities, the Group's financing arrangements will be simplified, as the Group's debt will be consolidated into one finance group at the TRG level which will provide a more efficient funding structure to support the Group's strategic initiatives.

7. Based on management calculations from passenger data sourced directly from airports
8. Excluding exceptional charges

The New Facilities covenant package provides significant covenant headroom for an extended period. In particular, the Group shall be subject only to a minimum liquidity covenant set at £40m (versus £50m under the existing TRG Plc RCF) until December 2022 with leverage covenants being tested on the super senior revolving credit facility from June 2022, and on the term loan from December 2022. There shall be no net leverage-based testing under the Term Loan until the period ending 31 December 2022 at which point the Group's net leverage covenant (as measured on a pre-IFRS 16 basis) shall be set at 5.0x before decreasing every six months to 4.0x by the period ending 31 December 2023 and thereafter.

We are delighted with the support provided to us by our lenders; however, we nevertheless remain focused on the reduction of our net debt and net leverage which has been temporarily impacted by the Covid-19 pandemic. Our new committed facilities are highly flexible in support of that objective, with both the Term Loan and the RCF subject to a margin ratchet which allows the Group's cost of debt to decrease according to prevailing net leverage (defined as pre IFRS 16 net debt/EBITDA). For illustrative purposes the initial weighted average cost of debt is expected to be approximately 7.0%, which would fall to approximately 6.0% were net leverage to go below 2.0x (defined as pre IFRS 16 net debt/EBITDA). In addition, whilst the Term Loan contains no contractual amortisation repayments, it provides flexibility to allow the Group to prepay the facility if desirable, with a significant proportion of the facility able to be prepaid without penalty in the 18 months following the initial drawdown.

£175m capital raise through firm placing and placing and open offer
In a separate announcement on 10 March 2021, the Group announced a £175m capital raise. The capital raise facilitates an acceleration of the Group's medium-term leverage target as well as providing the flexibility to invest and grow the business. It marks the end of a deep restructuring programme and successful refinancing of the Group's long-term debt facilities. Specifically the net proceeds of the capital raise will be used in the following order of priority:

- firstly, to improve TRG's liquidity headroom to protect against any potential resurgence of the Covid-19 pandemic;
- secondly, to accelerate TRG's deleveraging to a target Net Debt to EBITDA[8] (pre-IFRS 16) below 1.5 times in the medium term; and
- thirdly, to strengthen TRG's flexibility to capitalise on selective site expansion in its Wagamama (UK restaurants, UK delivery kitchens) and Pubs businesses, where TRG expect there to be good and profitable opportunities.

3. Ready for Relaunching the business

Market overview
The number of casual dining outlets in the UK is expected to decline by 30 to 35% from the end of 2019 to the end of 2021. The overall market for branded restaurants (outlets) is expected to contract by 30 to 35% at the end of 2021, with a number of long-established, multi-site casual dining brands having permanently closed a significant proportion of their estate following a series of restructuring initiatives.

The delivery market has also grown rapidly and was worth £9.8 billion in 2020, a 40% increase over the two previous years (according to the Rebuilding of Hospitality 2021 to 2025 report and MCA Food service delivery report 2019). TRG believes the delivery market can continue to grow quickly, and it represents a significant strategic opportunity, particularly for the operators with the right scale, brands and capability set.

Ready for a rapid and profitable reopening
The Group currently has approximately 200 sites trading for delivery and takeaway across its Wagamama and Leisure businesses. The trading performance of those sites has been very encouraging. With this strong operating platform in place, the Group has good capability to deliver an accelerated reopening plan for dine-in trading, once the current restrictions for hospitality businesses end, with all viable sites being reopened within two weeks. In addition, mothballed Concessions sites can be quickly reactivated.

Sales densities should recover quickly with the significant capacity that has already left the market and the pent-up demand for hospitality given the prolonged period of closure.

The Group will also be relaunching from an improved cost base with 50% of its leasehold estate now on a turnover rent structure, as well as benefitting from previous investments made in technology apps, screens, visors, hand sanitisers and extensive team training to make premises and operations Covid-19 secure.

Current Trading and Outlook

As per the restrictions announced by the English, Scottish and Welsh governments in January 2021, the Group currently has no sites able to trade for dine-in, and is operating delivery and click-and-collect services across approximately 200 sites in its Wagamama and Leisure businesses. The performance of delivery and takeaway for those sites has been extremely encouraging with average weekly delivery and takeaway sales being c. 2.5x pre-Covid-19 levels for Wagamama and c. 5.0x times pre-Covid-19 levels for Leisure (for the four weeks to 28 February 2021).

The Board is encouraged by the welcome news of the initial success of the vaccination programme currently being rolled out, and believes the Group is well positioned to benefit from a sustained removal of restrictions over time given its previous encouraging trading performance following the first lockdown and the strong operating platform in place. However, in the near term, the Board anticipates that the outlook remains uncertain with trading disrupted while government restrictions for hospitality businesses are in place.

Summary

The Group is well positioned to deliver long-term shareholder value:

- TRG is operationally a much stronger business following the restructuring with four distinct pillars all capable of delivering good sustainable shareholder returns;
- we have a secure long-term capital structure and now enjoy the flexibility to take advantage of selective market growth opportunities; and
- we have a strong operating platform to relaunch our business and deliver an accelerated reopening plan

Andy Hornby
Chief Executive Officer

10 March 2021

TRG's response to the Covid-19 pandemic

It has been an extraordinary and unprecedented period for the hospitality sector and the wider economy. Throughout the year, the Group acted decisively and at pace, ensuring the health and safety of our customers and colleagues, whilst also taking the right steps to protect the future of the business. The steps taken are summarised below.

Decisive actions taken in response to Covid-19
To address the effects of the pandemic and the lockdown measures put in place by the Government, swift and decisive action has been taken by the Group, including the following measures:

- focus on safeguarding TRG's colleagues and customers;
- costs during the first national lockdown were reduced to a maximum of only c. £3.5m per month. Cash-burn during the November national lockdown was minimised to c. £5.5m for the month (including rents payable under the terms of the Leisure CVA as well as employer contributions towards furlough payments);
- action to address working capital pressures, including contract renegotiations with our supportive supplier base and the agreement of deferred payment plans;
- a significant and immediate reduction in the capital expenditure of the Group to no more than £40.0m for 2020;
- accessing Government support where appropriate including:
  - the furloughing of up to 20,000 employees across the restaurants and head office under the Government's Coronavirus Job Retention Scheme;
  - agreement of payment plans with HMRC under the 'Time to Pay' scheme to defer payment of PAYE and National Insurance and
  - VAT has been deferred under the VAT Deferral Scheme offered by the Government which allowed all VAT payments between March and June 2020 to be deferred to 2021.

Banking facilities and liquidity
In order to strengthen our liquidity, the Company carried out a placing of shares on 8 April 2020 which raised net proceeds of £54.6m from institutional shareholders. In addition, we have announced a further capital raise of £175m to ensure the long-term stability of the Group.

We also achieved increased flexibility in our banking facilities with our very supportive lending group which included full covenant waivers on the existing facilities to September 2021, subject to maintaining a minimum liquidity of £50m, accessing £50m through the CLBILS scheme supported by Lloyds Bank, and increasing the revolving credit facilities from Santander.

As covered above, the Group secured post year-end long term committed financing to ensure the long-term security of the business.

Remuneration
There have been voluntary pay sacrifices by:

- TRG's Executive Directors (40% of salary by Andy Hornby, CEO, and 20% of salary by Kirk Davis, CFO from 1 April 2020 to 30 June 2020, both of whom have also voluntarily foregone their bonuses for FY 2019 and the Remuneration Committee exercised its discretion to resolve that no annual bonuses will be paid to the Executive Directors for FY 2020);
- a voluntary 40% reduction of Non-Executive Directors' fees from 1 April 2020 to 30 June 2020 (and reduction in the number of Non-Executives from six to five);
- a majority of staff at head office (with pay sacrifices ranging from 20% to 40% of salary) from 1 April 2020 to 30 June 2020 and
- all TRG Directors voluntarily waiving 20% of their salaries/ fees from 1 July 2020 until 31 March 2021.

Restricted trading and Covid-19 health and safety measures
At various times from early July 2020, we have been able to open parts of our estate to dine-in trade. Extensive planning was done in each division with protocols and procedures in place to ensure colleague and customer safety whilst providing an enjoyable and authentic hospitality experience. Operational changes we have made at various times include:

- Guest and team safety: introducing innovative sliding screens in Wagamama which help seat groups safely apart along our iconic benches; taking advantage of the spacious layout of the internal dining areas and many large beer gardens of our Pubs to accommodate social distancing; adapted table spacing; increased cleaning and sanitation and use of PPE;
- Technology: introduction of new 'Pay at Table' functionality in our Wagamama and Pubs businesses with very encouraging uptake and has been well received by our guests; and
- Optimising off-trade channels: growth of delivery activity along with the enhanced click-and-collect proposition and further development of online-only brands.

Financial review

> "In all periods where we were permitted to trade without restrictions, all businesses traded well, and I was particularly encouraged by their ability to adapt to the constantly changing environment."

Kirk Davis
Chief Financial Officer

The transition to IFRS 16, which is described in detail in note 1 to the financial statements, has had a significant impact upon the presentation of results but the prior periods have not been restated. We therefore show below the current period on both an IFRS 16 and an IAS 17 basis to allow comparability to the 2019 results.

Note 1 to the financial statements provides a reconciliation to allow readers to understand the differences between our current period results on an IAS 17 basis and those under IFRS 16, as well as the differences between adjusted and total results.

The adjusted measures (as shown on the face of the Income Statement, or in Note 1 to the accounts) are summarised below:

	52 weeks ended 27 December 2020 IFRS 16 £m	52 weeks ended 27 December 2020 IAS 17 £m	52 weeks ended 29 December 2019 IAS 17 £m
Revenue	459.8	459.8	1,073.1
Adjusted[1] EBITDA	53.4	8.7	136.7
Adjusted[1] operating (loss)/profit	(49.7)	(30.5)	91.1
Adjusted[1] operating margin	(10.8%)	(6.7%)	8.5%
Adjusted[1] (loss)/ profit before tax	(87.5)	(47.9)	74.5
Exceptional items before tax	(40.1)	n/a	(111.8)
Statutory (loss) before tax	(127.6)	n/a	(37.3)
Statutory (loss) after tax	(119.9)	n/a	(40.4)
Adjusted[1] EPS (pence)	(13.4p)	n/a	11.9
Statutory EPS (pence)	(21.3p)	n/a	(8.2)

1 The Group's adjusted performance metrics such as Adjusted EBITDA are defined within the glossary at the end of this report

Trading results
The impact of Covid-19 has had a significant detrimental effect on our results for the year with trading for dine-in customers only operating for around four months of the year, and the remainder of the year we suffered a mix of full closures, delivery and takeaway-only trading or a combination of the above through the regional tiering restrictions. This has resulted in total revenue down 57.2% to £459.8m (2019: £1,073.1m). In all periods where we were permitted to trade without restrictions, all businesses traded well, and I was particularly encouraged by their ability to adapt to the constantly changing environment. In a year of significant challenges, we are particularly proud of two achievements. Firstly, our Q3 trading across all businesses was in line or ahead of the market, which has demonstrated the strength of our restructured business, and gives me great confidence in our ability to relaunch whenever we are able. Secondly, we have continued to grow our delivery and takeaway business so that our standalone average weekly sales through these channels are currently running at c. 2.5x and c. 5.0x pre-Covid-19 levels in our Wagamama and Leisure businesses respectively. These successes have given us greater resilience to the pandemic by allowing us to continue trading throughout lockdowns and tiered trading restrictions, and will set us up for future growth through delivery channels where we have welcomed new and existing customers through 2020.

The Group had to take swift and decisive action to protect the business, including several very difficult decisions in a very uncertain trading environment. The full details of our response to covid are included in the 'TRG's response to the Covid-19 pandemic' section. I would like to extend my thanks to the teams, both in the restaurants and in the head office who have adapted superbly to the challenges of 2020 and have pulled together to support the business and each other during this incredibly difficult year.

Measures used to monitor business performance in 2020 are based on the IAS 17 approach to lease accounting, which is consistent with prior years but does not include the impact of IFRS 16. On this basis, Adjusted operating profit fell to a loss of £30.5m (2019: profit of £91.1m) and Adjusted EBITDA was £8.7m (2019: £136.7m) due principally to the extended periods of closure and restrictions as highlighted above. Whilst the business reacted rapidly to reduce costs and minimise cash burn to only £3.5m per month in the first lockdown, due to the reduction in sales and fixed costs, there was a significant reduction in profitability.

Including the impact of IFRS 16, Adjusted[1] operating loss was £49.7m (2019: profit of £91.1m). On a statutory basis, the Group's operating loss was £89.8m (2019: loss: £20.7m), reflecting an exceptional pre-tax charge of £40.1m (2019: £111.8m) predominantly relating to the impairment of our asset base following the trading restrictions during the pandemic, and costs relating to the closure of our estate, offset by a credit relating to lease exits to restructure our Leisure business to deliver a higher quality, diversified estate. Adjusted[1] loss before tax for the period was £87.5m (2019: profit of £74.5m). The significant difference in loss under IFRS 16 is due to the differing accounting treatment of our rent concessions throughout the pandemic. Under IAS17, they are recognised in the year whereas we have elected to recognise them over the life of the lease under IFRS 16. Adjusted[1] loss per share were 13.4p (2019: earnings per share of 11.9p). On a statutory basis, loss before tax was £127.6m (2019: loss of £37.3m). On a statutory basis, loss after tax was £119.9m (2019: statutory loss of £40.4m).

Cash flow and net debt
Pre-lease liability net debt has increased this year from £286.6m to £340.4m, an increase of £53.8m despite the inflow of £54.6m via a capital placing in April 2020. Whilst trading has generated positive cash flows of £8.7m before working capital and interest, the partial unwind of trade creditors has led to an operating cash outflow of £18.2m (2019: inflow of £140.5m). Post-IFRS 16, the net debt was £824.2m which was a reduction of £395.8m, or c. 33%, from the 30 December 2019 figure of £1,220.0m. This reduction has been driven by the exit of 128 leases through the CVA process (£193.6m), 52 sites exited through the administration processes (£82.4m), and also the renegotiation of a number of Concession leases to remove the minimum guaranteed portion of rent (£140.0m).

In order to protect the business, capital expenditure has been restricted since March, with a total expenditure of £38.9m (2019: £73.3m). We opened three new Wagamama restaurants in the year (including two conversions from Leisure sites), two new Pubs and have constructed five new sites at Manchester airport that are due to open in 2021.

Despite these outflows, the Group had available facilities of £470.0m at year end and had cash headroom of £127.1m with a minimum liquidity requirement of £50.0m. Following the introduction of the January 2021 lockdown the business had reduced cash burn to around £5.5m per four week period and has experienced a further working capital outflow relating to trade creditors.

Financial review continued

Summary cash flow for the year (on a pre IFRS 16 basis) is set out below:

	2020 £m	2019 £m
Adjusted EBITDA (IAS 17 basis)	8.7	136.7
Working capital and non-cash adjustments	(26.9)	3.8
Operating cash flow	(18.2)	140.5
Net interest paid	(15.5)	(14.5)
Tax received/(paid)	5.1	(10.3)
Refurbishment and maintenance expenditure	(21.9)	(34.5)
Free cash flow	(50.5)	81.2
Development capital expenditure	(17.0)	(38.8)
Movement in capital creditors	(1.0)	(5.0)
Utilisation of onerous lease provisions	(9.3)	(12.6)
Exceptional costs	(34.9)	(28.5)
Dividends	–	(17.5)
Proceeds from issue of share capital	54.6	–
Proceeds from disposals	3.3	27.3
Cash movement	(54.8)	6.1
Pre-IFRS 16 net debt brought forward	(286.6)	(291.1)
Derecognition of finance lease liabilities (IFRS 16 transition)	2.6	–
Non-cash movement in net debt	(1.6)	(1.6)
Pre-IFRS 16 net debt carried forward	(340.4)	(286.6)
Lease liabilities (IFRS 16 basis)	(483.8)	(933.4)
Post-IFRS 16 net debt carried forward	(824.2)	(1,220.0)

Refinancing
As outlined in the business review section, the Group has post year-end signed a £500m debt package. These facilities consist of a £380m term loan expiring in Q2 2026, and a £120m super senior revolving credit facility expiring in Q2 2025. The term loan is available to the Group to draw upon until 31 May 2021 and will be used to repay the current £225m bond, the drawn portion of the revolving credit facilities, and £50m of CLBILS facilities.

In addition, on 10 March 2021 we announced a capital raise of £175m as outlined in the business review section.

Going Concern
The directors have adopted the going concern basis in preparing the Annual Report and Accounts after assessing the Group's principal risks including the risks arising from Covid-19.

The outbreak of Covid-19 and its continuing impact on the economy, and specifically the hospitality sector, casts uncertainty as to the future financial performance and cash flows of the Group. When assessing the ability of the Group to continue as a going concern the Directors have considered the Group's financing arrangements, likely trading patterns through the recovery, and the possibility of future lockdowns or social restrictions.

The Principal Risks and Uncertainties are disclosed in the Risk Committee Report. These have been considered by Directors in forming their opinion. The Directors have reviewed financial projections to 31 March 2022 (the review period), containing both the base case and a severe stress case. In the severe stress case, the current national lockdown is forecast to continue until 17 May 2021, and the business is then operating under social restrictions (in line with October 2020) until the end of December 2021. Whilst this is significantly worse than the 'Road to Recovery' announced by the UK government on 22 February 2021, the Directors considered it necessary to plan for the potential scenario that the recovery is significantly delayed. In addition, due to restrictions on international travel, the Concessions business is also forecast to be closed completely during 2021. The projections assume that whilst there are social restrictions which impact our ability to trade normally, the UK Government will continue to provide support via the Coronavirus Job Retention Scheme. Whilst this has currently been announced as ending in September 2021, the projections assume this will be extended to protect employment if required. The gross proceeds of the underwritten capital raise of approximately £175m as announced on 10 March 2021 and which is subject to shareholder approval have also been included in both forecasts. In both forecasts, the Group has sufficient liquidity, via its new facilities, to finance operations for at least the next twelve months to the end of March 2022. The Group will draw on the new term loan before the end of May 2021, by which time the Group is contracted to have made a single once-only drawdown of between £230m and £380m, simultaneously repaying the existing RCF, CLBILS and bond debt. In both base case and stress case scenarios it is assumed that £380m of term loan facility will be drawn down. The exact amount will be determined by the Board taking relevant factors into account on drawdown with the objective of ensuring a reasonable level of cash headroom throughout the review period, based on the forecast cash flows at the time. From signing of the new debt agreements the Group will be bound by the covenants in those new facilities which consist of a minimum liquidity of £40m until December 2022 followed by leverage covenants being tested on the super senior revolving credit facility from June 2022, and on the term loan from December 2022. (see Note 27 for details of covenants). There are no leverage covenant tests in the review period.

The Directors have concluded that the conditionality of the capital raise, requiring shareholder approval at the General Meeting on 29 March 2021, represents a material uncertainty to the Directors' going concern assessment. For the purposes of both the 'base' and 'stress' case, this capital raise is forecast to complete. Should it not complete, the Group's liquidity will be challenged. In the 'base case', the covenants and minimum liquidity requirements are not forecast to be breached, but in the 'stress case', the minimum liquidity covenant would be breached in the review period unless sufficient alternate strategies could be implemented. In pre-marketing the capital raise, Management has conducted a number of meetings with investors covering over 50% of the share register and expects to receive shareholder approval for the capital raise at the forthcoming General Meeting. However, this is not guaranteed, and the vote may not pass. If approval was not obtained, the Group would aim to take a number of co-ordinated actions designed to avoid a covenant breach, including further discussions with its landlords, selective disposal of assets, further cost reduction programmes, or other commercial actions. The Board is confident that shareholder approval will be obtained and therefore has a reasonable expectation that the Group has adequate resources to continue in operational existence for the period to 31 March 2022, being at least the next twelve months from the date of approval of the Annual Report and Accounts. On this basis, the Directors continue to adopt the going concern basis in preparing these accounts. Accordingly, these accounts do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Group were unable to continue as a going concern.

Exceptional costs
An exceptional pre-tax charge of £40.1m has been recorded in the year (2019: £111.8m). The key elements of this cost are below:

- A net impairment charge of £37.1m (2019: £105.8m) which represents the reduced trading potential of a number of sites during the second half of 2020, and also in the recovery phase through the next couple of years within our Concessions business.
- Administration costs and write-offs of £9.9m relating to Chiquito Limited and Food & Fuel Limited.
- A credit from restructuring the Leisure business of £20.0m (2019: £nil). There are a number of components of this with the most significant being:
  - £18.2m of staff restructuring costs;
  - A cost of £12.7m from assets disposed as part of the estate restructuring
  - A £7.5m provision for property costs on sites that were exited via the CVA. These sites have no associated rent costs but the Group is still liable for Business Rates until the end of the lease.
  - A credit of £21.3m from a number of leases exited earlier than expected
  - A net credit of £26.5m from the removal of lease liabilities of £193.6m, offset by a corresponding write-down in the assets of £167.1m following the completion of the CVA.
  - A £10.6m credit from reduction in minimum rents obtained in negotiations with our airport partners
- Closure costs of £5.5m relating to the first national lockdown. This includes stock wastage, maintenance and security costs while closed.
- Professional fees of £4.4m have been incurred in the year relating to various corporate activities to restructure and refinance the business.
- Integration costs of £3.2m (2019: £11.2m) relating to costs incurred in the integration of Wagamama and the project costs to achieve the synergy cost saving and site conversion programme.

The tax charge relating to these exceptional charges was £4.3m (2019: credit of £13.1m).

Cash expenditure associated with the above exceptional charges was £34.9m in the year (2019: £28.5m) relating principally to the staff restructuring, closure costs, and professional fees as discussed above. The remainder of the exceptional items were non-cash in nature.

Tax
The Adjusted[1] tax credit for the year was £12.0m (2019: charge of £16.3m), summarised as follows:

	2020 £m	2019 £m
Corporation tax	(8.8)	15.5
Deferred tax	(3.2)	0.8
Total	**(12.0)**	16.3
Effective adjusted[1] tax rate	13.7%	21.8%

The effective adjusted[1] tax rate for the year was 13.7% compared to 21.8% in the prior year. The loss in the year has meant that the Group has losses to carry forward in to 2021, on top of the net tax receipt of £5.1m which relates to carrying back 2020 losses against tax paid in relation to 2019 profits. The amount of tax carried forward is lower than the UK corporation tax rate of 19% due to restrictions in the amount of interest that can be deducted given the loss-making position, and other costs not deductible for tax purposes. Further detail on the tax for the year is in Note 8 to the accounts.

Viability Statement

In accordance with provision 31 of the UK Corporate Governance Code (July 2018) (the "Code"), the Directors have assessed the viability of the Group over a two-year period to December 2022.

The Directors believe that two years is the appropriate time-period over which to evaluate long term viability and this is consistent with the Group's current strategic planning process. In the prior year, the Directors took a view across three years but due to the uncertainty around Covid-19, it is deemed that less confidence can be placed on longer term forecasts. Given the uncertain trading environment in the UK, there is considerable uncertainty in these forecasts. The Board is encouraged by the recent government announcements of the 'Road to Recovery' and expects to be able to open for dine-in customers from 17 May 2021, and earlier for sites with external covers. However, Management has prepared, and the Board has considered two key scenarios:

- A 'base case' whereby the national lockdown is in operation until 17 May 2021 followed by two months of trading impacted by social restrictions (in line with October 2020) with around a 20% reduction in sales with normal trade resuming in August 2021. The projections assume the extension of business support initiatives in line with prior government policy, principally through the extension of VAT reduction to 5% and business rates relief to 17 May 2021 (i.e. during the period of national lockdown restrictions) and the extension of the Coronavirus Job Retention Scheme until the middle of July 2021 (i.e. during the period of social restrictions). Due to the impact of the pandemic on international travel, only 40% of our concession sites are forecast to be trading in 2021.
- A 'stress case' whereby the national lockdown is in operation until 17 May 2021 followed by trading impacted by social restrictions (in line with October 2020) to the end of December 2021. Government support is the same as in the 'base case' but with the Coronavirus Job Retention Scheme extended beyond the currently announced policy of September 2021 to the end of December 2021 due to the extended period of social restrictions. The Concessions business is also closed for the whole of 2021 reflecting the increased concerns around international travel.

Measures have already been taken in 2020 and 2021 to protect the business and to restrict the future cash outflows as reported in the company's Covid-19 response.

As announced on 1 March 2021, the Group has entered into two new facilities agreements under which £500m of debt facilities have been made available to the Group, comprising a package of £380m of new term loan and £120m super senior RCF maturing in Q2 2026 and Q2 2025 respectively and so has committed facilities for the duration of the period under review. In due course, the Group's existing revolving credit and CLBILS facilities will be repaid and cancelled, and the Wagamama bond will be repaid.

As detailed on page 69 the Board has conducted a robust assessment of the principal risks facing the business. The resilience of the Group to the impact of these risks has been assessed by applying a severe but plausible sensitivity to the cash flow projections based on past experience. This includes modelling the different scenarios above.

After careful consideration of the forecasts and risks facing the business, the Directors have concluded that the conditionality of the capital raise, requiring shareholder approval at the General Meeting on 29 March 2021, represents a material uncertainty to the Directors' going concern assessment. For the purposes of both the 'base' and 'stress' case, this capital raise is forecast to complete. Should it not complete, the Group's liquidity will be challenged. In the 'base case', the covenants and minimum liquidity requirements are not forecast to be breached, but in the 'stress case', the minimum liquidity covenant would be breached in the review period unless sufficient alternate strategies could be implemented. In pre-marketing the capital raise, Management has conducted a number of meetings with investors covering over 50% of the share register and expects to receive shareholder approval for the capital raise at the forthcoming General Meeting. However, this is not guaranteed, and the vote may not pass. If approval was not obtained, the Group would aim to take a number of co-ordinated actions designed to avoid a covenant breach, including further discussions with its landlords, selective disposal of assets, further cost reduction programmes, or other commercial actions. The Board is confident that shareholder approval will be obtained.

Taking account of the Group's current position, the material uncertainty described above, the principal risks facing the business and the sensitivity analysis, as well as the potential mitigating actions that the company could take, and the experience that the company has in adapting the business to change, the Board has a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the two-year period of assessment.

Further details on the forecast process and assumptions can be found in Note 1 to the accounts.

IFRS 16

The Group has adopted IFRS 16 'Leases' in its accounts for the year ended 27 December 2020 and so these Accounts are the first to include the impact of IFRS 16. The Group has decided to adopt the standard as at 30 December 2019 without any restatement of the results for prior periods, which continue to be presented under IAS 17 and which may therefore not be fully comparable.

The impact of IFRS 16 is twofold:

- firstly, to create a lease liability for rental costs and corresponding right of use asset in the balance sheet, and
- secondly, to remove the rental charge from the income statement and replace it with a depreciation charge in respect of the right of use asset and a finance charge in respect of the unwinding of the lease liability.

Accordingly, and relative to the previous lease accounting standard IAS 17, IFRS 16 sees the Group report:

- a higher level of adjusted EBITDA. EBITDA no longer includes the IAS 17 rent cost and rises by £44.7m;
- a higher adjusted operating loss. The increased depreciation is £63.9m and so greater than the rent expense removed and so operating loss is higher by £19.2m;
- a higher level of loss before tax. The combined IFRS 16 charges for depreciation of the right of use asset and interest on the lease liability exceed the IAS 17 rent charge by £39.6m. This higher cost is in relation to the differing accounting treatment of our rent concessions throughout the pandemic. Under IAS17, they are recognised in the year whereas we have elected to recognise them over the life of the lease under IFRS 16; and
- a higher level of net debt, reflecting the inclusion of a net additional £483.8m of capitalised lease liabilities within net debt.

Kirk Davis
Chief Financial Officer

10 March 2021

Section 172 statement

This is the first year that the Directors are required to provide a section 172 statement as part of the Strategic report. We explain below the background to the section 172 statement, how we engage with stakeholders and the factors considered by the Board in the principal decisions taken during the year.

Background

Section 172 of the Companies Act 2006 ('Act') requires the Directors to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, having regard to various factors, including the matters listed below in section 172(1)(a) to (f):

(a) the likely consequences of any decisions in the long-term;
(b) the interests of the Company's employees;
(c) the need to foster the Company's business relationships with suppliers, customers and others;
(d) the impact of the Company's operations on the community and environment;
(e) the desirability of the Company maintaining a reputation for high standards of business conduct and
(f) the need to act fairly as between members of the Company.

The Companies (Miscellaneous Reporting) Regulations 2018 require Directors to explain how they have considered the interests of key stakeholders and the broader matters set out in section 172(1)(a) to (f) when performing their duty to promote the success of the Company under section 172. This requirement applies to the Company from the 2020 financial year.

Stakeholder engagement

The Directors take into account the views and interests of a wide set of stakeholders. During the year the Board and its Committees received papers, presentations and reports, participated in discussions and considered the impact of the Company's activities on its key stakeholders (wherever relevant). Particularly in light of the Covid-19 pandemic and the various lockdowns of the hospitality industry, the Board has frequently had to make difficult decisions having regard to competing priorities. By considering the Company's strategic priorities and being prepared to adapt to the unprecedented challenges faced, the Board has acted to promote the success of the Company for the benefit of its members as a whole.

The Board has engaged directly with stakeholders on certain issues, such as the stakeholder consultation exercise that was conducted before proposing the new Directors' Remuneration Policy in October 2020. In addition, the Board also considers information from across the organisation to help it understand the impact of its decisions, and to consider the interests and views of our key stakeholders. It also reviews strategy, financial and operational performance, as well as information covering areas such as key risks.

Principal decisions

We have outlined below examples of how the Directors of the Company have had regard to the matters set out in section 172(1)(a) to (f), including consideration of the Company's employees and other stakeholders when discharging their duties under section 172 and the effect on the principal decisions taken by them.

Decisions related to Covid-19

It has been an extraordinary and unprecedented period for the hospitality sector and the wider economy and the Board acted during 2020, to ensure the health and safety of our customers and employees, whilst also taking the right steps to protect the future of the business. Decisive actions were taken in response to the pandemic and the impact of lockdowns, Government restrictions and significant exceptional costs. Key decisions taken by the Board included:

- reducing costs during lockdown;
- accessing Government support where appropriate, including the Coronavirus Job Retention Scheme ('CJRS'), VAT and business rate holidays;
- arranging increased flexibility in our banking facilities with our lending group and
- strengthening our liquidity, with a placing of shares on 8 April 2020 which raised net proceeds of £54.6 million from institutional shareholders.

A full summary of the decisions taken by the Group in response to the Covid-19 pandemic is detailed on pages 10 to 11.

In taking all of these decisions, the Board was mindful of the long-term interest of the Company and its stakeholders, particularly employees and customers, shareholders, suppliers and strategic partners; the desirability of the Company maintaining a reputation for high standards of business conduct and the need to act fairly as between members of the Company.

Leisure business rationalisation

In light of the Covid-19 crisis and its impact on the Group, the Board was keenly aware of the need to protect profitability and conserve cash in order to promote the success of the Company for the benefit of its members as a whole. The Board was placed in the difficult position of having to decide whether support should continue to be provided to those areas of the Group which were loss-making and which were forecast to continue to be dependent on financial support in the future.

In April 2020, the Group took the decision to place two of its subsidiaries, Chiquito Limited and Food and Fuel Limited, into administration. In June 2020, the Group announced a proposal to further reduce the size of its Leisure estate and rental cost base by the implementation of a company voluntary arrangement ('CVA') of The Restaurant Group (UK) Limited ('TRG UK Ltd') which principally comprises the Frankie & Benny's estate. The CVA, which was approved by creditors, resulted in the closure of approximately 125 uneconomical sites with an additional approximately 85 sites being subject to a reduction in rental costs and revised lease terms.

As market conditions continued to deteriorate in conjunction with the on-going Covid-19 pandemic, the Board concluded that it would most likely promote the success of the Company for the benefit of its members as a whole, to allocate financial resources at its disposal to supporting the financially viable parts of the Group during the Covid-19 crisis, and to only continue to support TRG UK Ltd if it was capable of becoming financially viable on a standalone basis. In taking these decisions, the Board considered the consequences of any decisions in the long-term, the interests of the Company, its shareholders, employees, suppliers and other stakeholders, the impact of the Company's operations on the community and environment and the desirability of the Company maintaining a reputation for high standards of business conduct. The Group was also able to buy a number of Chiquito and Food and Fuel sites out of administration, thus preserving a proportion of the relevant employees' jobs and securing the continued operation of those sites. In respect of the CVA, the claims of TRG UK Ltd's employees were not compromised as part of the CVA, and all TRG UK Ltd employee claims were paid in full. Similarly, the Board recognised the on-going support provided by suppliers and HMRC and their claims were also not compromised by the CVA. Finally, whilst many of TRG UK Ltd's landlords were affected by the CVA, careful consideration was given to the categorisation of leases and the terms offered to landlords in each category so that the estimated outcome for every landlord under the CVA was more advantageous than the alternative administration scenario.

Directors' Remuneration Policy

As part of the Board's response to the Covid-19 pandemic, the Directors and the wider leadership team, adopted a responsible approach to remuneration to safeguard the business including voluntary salary and fee waivers by all the Directors, which will continue until at least 31 March 2021, waiver of the Executive Director bonuses for 2019 which were approved and reported as payable in last year's Directors' Remuneration Report and no annual bonuses to be paid to the Executive Directors for 2020. Full details are provided on page 48.

Our Directors' Remuneration Policy was due to expire in 2021, having originally been approved at the AGM held in May 2018. However, given the exceptional events of 2020 related to Covid-19, and our Long Term Incentive Plan ('LTIP') no longer being appropriate, the Remuneration Committee decided to accelerate its review and recommended a new Directors' Remuneration Policy which was better aligned to the long-term interests of the Company and its shareholders. The Committee reviewed the scheme and consulted directly, and in several cases extensively, with our 12 largest shareholders and the leading proxy advisory firms. The Board considered the likely consequences of the decision in the long-term in that the move to restricted stock would better support the stewardship role of management and ensure they were aligned with the shareholder experience, as well as supporting the Company's strategy. The Board also considered the interests of employees, shareholders and other stakeholders, the impact of the Company's operations on the community and environment and the Company's reputation for high standards of business conduct by ensuring that any vesting will be contingent on satisfaction of a discretionary underpin, assessed three years after grant, to determine whether the vesting is appropriate in all the circumstances and involving a broad assessment of progress made in terms of financial performance and such other factors as the Committee may consider relevant, including as to various environmental, social and corporate governance factors.

Suspension of dividend to facilitate strategic priorities

As part of its announcement of the final results for the 52 weeks ended 29 December 2019, in February 2020 (before the Covid-19 pandemic hit), the Board outlined three strategic priorities for the next two years:

- grow our Wagamama, Concessions and Pubs businesses;
- rationalise our Leisure business and
- accelerate our deleveraging profile.

In order to support these strategic priorities, the Board took the decision to temporarily suspend the dividend to allow for continued investing in our three growth businesses (Wagamama, Concessions and Pubs), whilst facilitating an acceleration of our Leisure estate rationalisation and strengthening our balance sheet. In taking this decision, the Board considered the likely consequences in the long-term, the need to focus on strategic priorities for the benefit of our customers, employees and the Company's business relationships with suppliers, the holders of the Group's debt and others, the impact of the Company's operations on the community and environment, the Company's reputation for high standards of business conduct and the need to act fairly as between members of the Company.

Corporate social responsibility

We are committed to doing business responsibly and acknowledge that The Restaurant Group has a significant role to play in the communities and the wider environment in which we operate. This report sets out the principal areas of focus and activity for 2020 relating to our food and drink offering, our people, our communities and the environment.

Non-Financial reporting information

The Companies Act 2006 requires the Company to disclose certain non-financial reporting information within the annual report and accounts. Accordingly, the required disclosures can be found on the following pages in the Strategic report (or are incorporated into the Strategic report by reference for these purposes from the pages noted):

- information on environmental matters (page 24)
- information on our employees (page 22)
- information on social, community and human rights matters (page 22)
- information on anti-corruption and anti-bribery (page 22)
- information on diversity (page 22 and in the Corporate Governance Report on page 32).

Our Food and Drink Offering

Sustainable and ethical sourcing

We practice responsible sourcing throughout our supply chain, ensuring our customers get good quality, high welfare and sustainable food on their plates. We are a member of the Supplier Ethical Data Exchange (Sedex), which facilitates measurement and improvement in ethical business practices across the supply chain. We require all our suppliers to be registered and risk assessed with Sedex. All suppliers must also meet the requirements of our Responsible Sourcing Policy which has been introduced to our direct suppliers and disseminated throughout each supply chain. All suppliers complete a declaration on Responsible Sourcing and Modern Day Slavery as part of their onboarding and ongoing review.

All our suppliers must also be certified to the British Retail Consortium Food standard or equivalent, as a minimum, and we conduct routine supplier audits to ensure our suppliers are operating to our high standards. During 2020 we have actively reduced the number of suppliers we work with and have consolidated those suppliers into fewer distributors, resulting in fewer deliveries and therefore food miles travelled.

As previously reported, we are committed to sourcing sustainable fish and we introduced a detailed policy in 2016, within which we have committed to sourcing Marine Stewardship Council (MSC)-certified fish rated 3 or below, and for farmed fish and seafood we only source from global gap or BAP 2* or higher, certified farms. In addition, tuna used within our Wagamama operation is dolphin friendly. We also review the Good Fish Guide every six months when it is published and modify our menus to remove any fish classified as ‘avoid’ in terms of purchasing.

We work with our suppliers and farmers (both UK and non-UK) to reduce unnecessary antibiotic use in farm animals. All our steaks for our Leisure, Pubs and Concessions divisions are from Irish farmed beef reared to Bord Bia welfare standards, the Irish equivalent of Red Tractor. Our beef in Wagamama is either British or Irish, which is also certified by either Red Tractor or Bord Bia. All supplier farms must adhere to EU legislation as a minimum, even if they are located outside of the EU, and farms must have in place policies and standards that reflect the principles of the 5 freedoms as adopted by the Farm Animal Welfare Council and detailed below.

- Freedom from hunger and thirst – access to fresh water and a diet for full health and vigour;
- Freedom from discomfort – an appropriate environment with shelter and comfortable rest area;
- Freedom from pain, injury, and disease – prevention or rapid treatment;
- Freedom to express normal behaviour – adequate space and facilities, company of the animal’s own kind and
- Freedom from fear and distress – conditions and treatment which avoid mental suffering.

All our shell eggs are free range. All mayonnaise comes from cage-free and/or free-range sources (since November 2017) and all shell eggs used in our restaurants are RSPCA Assured™ free range. Furthermore, we are committed to ensuring that eggs used as an ingredient in our supply chain will be cage-free and/or free-range by the end of 2023 at the latest. In 2020 the Group signed the European Better Chicken Commitment supported by Compassion in World Farming with the goal to source all chicken to this standard by 2026.

We have removed plastic straws and will continue to reduce the amount of single use plastic we use within the business.

We continue to support The Sustainable Restaurant Association and in 2019 achieved a 3-star rating for our Pubs division, 2-stars for our Leisure divisions and Wagamama maintained its 1-star rating. Whilst Covid-19 has halted this audit and improvement process for 2020, we fully expect to further enhance these ratings through our planned improvements across the Group.

Nutrition and Health

We are committed to offering a healthy choice for our customers. The nutritional balance of menus is incorporated into the menu design process and we have successfully increased the number of lower calorie, lower salt and lower sugar options available year-on-year. Our brand standards are being further developed to ensure that all additives used are in line with industry best practice and we continue to expand our vegan/plant-based menus and support the Veganuary campaign run by the Vegan Society.

Wagamama launched its first vegan menu in 2017 and has continually innovated its plant-based offering. This continues to be a huge focus for Wagamama which has made the commitment to make 50% of its menu meat-free by the end of 2021.

As in previous years, there continues to be no genetically modified foods or artificial trans fats in any of our products, and we have banned colours that cause hyperactivity in children from all our products served to children. If palm oil is used in our products it is RSPO certified.

Allergens

Frankie & Benny’s and Chiquito offer a Coeliac UK-accredited Gluten Free menu to cater for those with Coeliac Disease. This menu offers a wide range of dishes and we have added gluten-free burgers, pastas and pizzas in Frankie & Benny’s, to provide greater choice to our guests. Our Brunning and Price Pubs division achieved Coeliac UK accreditation in March 2020 and also continues to offer a wide-ranging gluten-free menu. Wagamama’s approach to food is centred on mindful eating and providing more plant-based and non-gluten options to their guests. Wagamama has a non-gluten menu and in 2020 innovated in these areas to provide more non-gluten choices. There are plans to further innovate in 2021.

Across the Group, our allergen information is available in restaurant / pub and online on our brand websites, allowing guests to view dishes that are suitable, based on individual allergies and intolerances. We also categorise the 14 allergens as detailed in legislation.

Initiatives to reduce the allergen risk profile in our food dishes have continued, with further allergy removal across ingredient and menu. A wider range of our dishes are now entirely allergy free.

Serving alcohol responsibly

We operate Challenge 25 in Scotland and Challenge 21 in England, Wales and Northern Ireland.

We continue to support Drinkaware whose campaign promotes responsible drinking. We offer a wide range of alcohol-free beers, low alcohol wine, mocktails, soft drinks, juices and milkshakes.

Food safety

The health and safety of our customers and employees is of paramount importance to us. The Group has extensive procedures to ensure we mitigate risks to our guests and teams as far as possible. We have clear procedures and standards in place and to enforce these, we employ external auditors to perform a rolling programme of independent safety audits and carry out benchmarking of our restaurants. Additionally, we incorporated Covid-secure ways of working throughout our business when we reopened in July 2020 and these continue to be developed in line with Government legislation and guidance.

As at 31 December 2020, over 99% of our restaurants scored 4 stars or above (including pass ratings in Scotland) under the Food Hygiene Rating Scheme, a sign of excellence in both food safety and hygiene, with 92% at 5 stars (or a pass rating in Scotland). All Wagamama sites are rated 5/Pass. We continue to invest significant time and resources in health and safety matters across the Group, to further enhance the clean, safe environment for our customers and colleagues.

Our people

We believe that great customer experience is key to our business success and therefore our most important asset is our people. At December 2020 we employed more than 14,000 people. Our teams in all our restaurants and pubs take huge pride in their work. They are passionate about the food and drink they serve and support each other to ensure the best customer service. We truly embrace diversity and employ colleagues from more than 100 nationalities.

In 2020 our focus was on supporting our colleagues through the impact of the Covid-19 pandemic, with the closure and subsequent reopening of the estate when permitted by the UK Government. We utilised the Government's furlough scheme throughout 2020 with up to 98% of our people being placed either on flexi or full furlough. In May 2020, our teams were invited to vote on the CVA of our Leisure Businesses and we received overwhelming support from our people supporting the restructuring of our Leisure Businesses despite the impact of job losses. Due to the remoteness of our people during the long periods of closure we ensured our communication was amplified to fully inform and support our people through a very difficult time. We also re-examined our people processes focusing not only on attracting talent but on identifying and supporting internal development and encouraging our colleagues to reach their full potential.

Our employment commitments

The Restaurant Group is committed to a policy of being a fair and inclusive employer. Employment with the Group offers everyone equal rights, career development and promotion prospects, regardless of age, race, gender, sexual orientation, disability or religion. We ensure as far as possible that the diversity of our teams reflects the diversity of our customers we serve. Details relating to the gender diversity of our employees are contained in the Corporate Governance Report on page 28.

We are committed to paying our colleagues fairly and equitably for the roles they are doing. In 2020, we carried out our annual Equity Pay Audit. The audit shows that we have a high level of consistency in pay with men and women being paid fairly and equitably remunerated when performing the same role. Our audit also showed that men tend to dominate the higher paid roles driving our Gender Pay Gap.

If a colleague is disabled in any way, or becomes disabled during their employment with us, then our policy is to offer assistance and explore ways of overcoming any difficulties they may have at work, and make the necessary adjustments to help them wherever possible.

Our commitment to equality and human rights is discussed in the induction for all colleagues and covered in our online policies and employee handbook, which are available and accessible to all. Our policies include an Equality and Diversity Policy, a Family Friendly Policy, and a Harassment and Bullying Policy. The various management skills courses offered cover the responsibilities of the management team in upholding these policies to ensure a safe and respectful working environment.

Regarding anti-corruption and bribery, it is our policy to conduct all our business in an honest and ethical manner. We take a zero-tolerance approach to bribery and corruption and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships. All colleagues must declare all hospitality or gifts given or received over a certain minimum value, and all expense claims relating to hospitality, gifts or payments to third parties must be submitted in accordance with our expenses policy and the reason recorded for that expenditure. Anyone offered, or asked to make, a bribe, or who suspects any bribery or corruption has occurred, is obliged to notify the Company Secretary without delay. So far as we are aware, there were no incidences of bribery or corruption during 2020.

The Group pays all of its colleagues at least the National Minimum Wage (or for the over 25's the National Living Wage) appropriate to their age. Tips are not included in this rate, and all gratuities are additional to their hourly rate and are paid directly to colleagues. Cash tips are self-declared, and only tips paid by credit card have tax deducted by the Company. In addition, no card processing administration fee is charged by the Company.

Colleague Support

In 2020, due to Covid-19 and the Government restrictions, we only fully traded between 4 to 5 months. We therefore focused on supporting our colleagues whilst on prolonged furlough with their physical and mental wellbeing. We focused on providing honest, supportive and regular communication to all colleagues. We introduced and enhanced our communication and engagement tools, with our social media style application which our teams can download to their phones or other devices. As a large number of our colleagues do not speak English there is a translation function available so we can ensure we fully engage with all colleagues. As an example, in our Leisure and Concessions businesses we introduced 'The Sauce' our employee communication channel, where our colleagues receive our updates, but can also update the Company and each other on their news and updates. We have also implemented our integrated Employee Self Service App which allows our colleagues to easily view and manage their employment information, such as pay slips and holiday bookings. This App allowed us to launch our health and wellness focus, ensuring we nurture our people and give them the support they need in the areas of physical and mental health. In December 2020, over 75% of our colleagues were utilising this engagement tool on a weekly basis. Wagamama use Noodle Nation a closed Facebook group for their teams. It's a place where teams can celebrate successes, recognise people, or share top tips or ideas. Conversations on Noodle Nation are two-way, providing our leadership team with a practical way to engage with our teams and vice versa. The business also utilises the platform to promote internal and external activities, run competitions, and drive positive engagement across the community.

We launched another Save As You Earn share option scheme in 2020, which all colleagues with more than one month's employment were invited to join. They can purchase TRG shares at a discounted price after saving each month for 3 years.

Our team and customer safety

During 2020, safety was high on our agenda and we ensured our colleagues were fully trained and supported on Covid-19 regulations, general legislation, and Group safety policies. This was audited throughout 2020 to ensure we continued to support and protect our colleagues. We completed several colleague surveys across the Group and our colleagues overwhelmingly confirmed their confidence in the TRG focus on safety and protection of our colleagues and customers.

In addition to our robust Covid-19 safety courses, we completed all fire training, first aid, food safety and product knowledge courses throughout the Group.

Our talent search

The recruitment market for the hospitality sector continues to be highly competitive and we have continued to raise our employee brands by investing in, and utilising platforms such as Linkedin. We also launched a Careers website, and Applicant Tracker System which automates and links with various hospitality job boards i.e. Caterer.com and Total Jobs, reaching out to 100,000s of potential candidates.

Our Talent and Acquisition Team focused on enhancing our candidates experience resulting in a 25% increase in applications.

Our team development

We continued to enhance our on-the-job learning to help support the development of our people. We complemented this with e-learning, face-to-face delivery and virtual learning, all delivered by our dedicated Brand and Group learning and development teams.

All new Managers into our restaurants are enrolled on the Manager in Training (MIT) programme. This gives them a structured pathway to be successful leaders with us. The programme covers all aspects of operational management, focusing heavily on leadership skills, all being underpinned with our culture, behaviours and values of the Group. Development of our internal talent continues to be high on our agenda through multiple development programmes. We enhanced our colleague induction programme, ensuring everyone across the Group completes role-specific e-learning modules and face-to-face courses, not only to meet legislative requirements but also to enhance their development and career path opportunities.

In 2020 we aligned our own internal development programmes with our apprenticeship programmes providing a flexible and personalised approach to development and progression across the Group. We offer apprenticeships across all roles, ensuring that from entry level through to Director level, we are supporting progression. We also introduced a number of bespoke apprenticeships for our support centre roles.

Reporting of Injuries at work

In 2020, the Group reported 35 accidents under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013, with no deaths or dangerous occurrences. This compares to 132 in 2019 and 167 incidents for the Group in 2018.

Corporate social responsibility continued

Our communities

We continue to support our colleagues with their fundraising efforts and community activities. Our chosen charities continue to receive our support, albeit, due to the extensive closure period with teams being furloughed, this has been more sporadic in 2020.

We support a number of Charities across the Group with each division aligned to a specific charity. Wagamama began a partnership with **Young Minds**, dedicated to supporting young people's mental health. Our Pubs Division are in locations that are at the very heart of local communities and therefore they continue to support local charities that are important to each community. Leisure & Concessions are proud to continue to partner with both **Magic Breakfast** and **Pennies**. Magic Breakfast campaigns to end child hunger and offers 480 schools across the UK a healthy filling breakfast.

Throughout 2020 as we permanently closed restaurants, we worked with over 60 food banks across the UK to redistribute food held in over 150 restaurants. This included frozen and ambient products and was used for distribution through food bags and community feeding kitchens. In addition, we worked with 10 food banks to redistribute product from our supply chain, including frozen, chilled, ambient and drinks during 2020. In total over 6,000 cases of food have been redistributed from our supply chain.

TRG has also provided support to the Sun's Jab's Army campaign, aiming to recruit 50,000 vaccination steward volunteers for the NHS Volunteer Responders programme, in partnership with Royal Voluntary Service.

Our environment

Energy Efficiency Actions Taken

In 2020, we maintained a strong focus to reduce the Group's impact on the environment and in particular during periods of closure due to Covid-19 lockdowns and tiered trading.

Initiatives have included:

- Developing comprehensive closure checklists to monitor power/gas usage, thus reducing carbon omissions as much as possible during non-trading periods;
- Using our day +1 meter data to highlight anomalies in our closing down compliance;
- Using regional resource and compliance visits to ensure non-compliance was remediated.

The Group has also been working hard on planning for the future and not only ensuring we comply with changing obligations for reporting, but more strategically how we will develop into a net carbon zero organisation.

TRG is a founding member of the Hospitality Zero Carbon Forum and is collaborating with industry peers to set out a strategic roadmap in order to deliver this ambition. In addition, we will move to recording and reporting on Scope 3 emissions and will also set goals for achieving net zero carbon on Scopes 1, 2 and 3.

In 2020, across the Group we showed a reduction in electricity use in the LFL trading estate, equivalent to over 6,000 tonnes of CO2. In addition, we continued to reduce our gas volumes and achieved over 4,800 tonnes of CO2. This was radically driven by lockdown periods but also the control measures mentioned above.

We expect an increase in emissions across the Group in 2021 as trading conditions improve, but will remain focused on how we continue to minimise our carbon footprint.

Energy Consumption and Carbon Emissions

Greenhouse gas emissions

The Restaurant Group is a 'quoted company' under the Streamlined Energy and Carbon Reporting regulations and must report its greenhouse gas emissions from Scope 1 and 2 Electricity, Gas and Transport annually. This is the first reporting year under these new regulations so there is no emissions data for prior years.

Methodology

The reporting period covers 01/01/2020 to 31/12/2020. This report has been compiled in line with the March 2019 BEIS 'Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance', and the EMA methodology for SECR Reporting. All measured emissions from activities which the organisation has financial control over are included as required under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, unless otherwise stated in the exclusions statement.

Scope	Description	Specific fuels	tCO_2e
Scope 1	Combustion of fuel on site and transportation	On site: Natural Gas, Gas Oil Transport: Petrol, Diesel	13,267
Scope 2	Purchased energy	Electricity – location based	17,924
Scope 3	Supply Chain Emissions	None – Voluntary	0
Total		Location Based	31,191
Intensity Ratio	tCO_2e/£1m Turnover	Location Based	0.32
Energy Usage	Total kWh consumed	Electricity, Natural Gas, Gas Oil, Petrol, Diesel	145,252,113

	LFL Trading Estate only		
	tCO_2e 2019	tCO_2e 2020	tCO_2e var.
Electricity	17,545	11,399	-6,147
Gas	12,462	7,486	-4,975
Total	**30,007**	**18,885**	**-11,122**

Corporate social responsibility continued

The carbon figures have been calculated using the BEIS 2020 carbon conversion factors for all fuels, other than the market-based electricity which has been taken from Total Gas and Power, EDF, Scottish Power, SSE, OPUS and Npower as the UK suppliers.

We only report location-based emissions in detail but taking into account our solar generation and Wagamama's renewable energy purchasing the total market-based emissions are 26,687 tCO_2e.

Furthermore, the Group recognises that in coming years reporting against the Taskforce on Climate-related Financial Disclosures (TCFD) will become mandatory. Therefore, we will start to align with this disclosure ahead of time. Below demonstrates the current position in this area.

Governance	Strategy	Risk Management	Metrics & Targets
The Board has overall responsibility for risk management. The Audit Committee has delegated responsibility with regular review of risk management procedures. The Risk Committee is responsible for governance over the Company's risk management process, monitoring, assessing and management of individual risks; and the aggregation of the Group risk register. The Risk Committee meets at least four times per year (although in 2020 this was reduced to 3 due to lockdown). It comprises the CFO and not less than three members of the senior management team. Currently this includes the Company Secretary, Group FD, CIO, Group People Director, Group Purchasing Director, Group Property Director and Head of Technical Safety.	To ensure our Corporate & Social Responsibility approach meets the expectations of our wider stakeholder groups including our customers, our employees, the communities within which we trade and our shareholders. TRG is in the process of further developing a Group strategy to enhance the work undertaken in this area. The Group is also a founding member of the Zero Carbon Forum working collaboratively with peers to develop a net zero carbon roadmap for the industry.	Each business unit or functional area of the Group is responsible for identifying and assessing its risks at least quarterly. This process identifies the gross risk, the likelihood of occurrence, mitigating controls in place and the potential impact on the Group. The Risk Committee formally reviews the divisional/functional risk registers to form the consolidated view of the Group's principal risks. Gross risk score is calculated taking into account the likelihood and potential impact of the risk. Controls, mitigations, issues and weaknesses are considered. A net risk score is then calculated. Actions and remediation is then applied with a clear owner and timescale.	The Company currently measures and reports against Scope 1 and 2 emissions. It is working towards measuring Scope 3 emissions with a view to start managing them from later in 2021. With the introduction of SECR the Company has for the first time included business miles in our footprint. Please refer to the SECR section of the report. The Company is currently developing targets to ensure net zero carbon emissions is achieved on or before the 2050 deadline. These will be disclosed in line with the industry roadmap to net zero.

Water
For water, the Group benchmarks restaurants and pubs on average daily usage and uses data validation to highlight sites with high usage. Where usage increases or is marked as high, the restaurant or pub is surveyed for efficiency initiatives and leak fixes, ensuring that we prevent water wastage.

The Group also continues to take advantage of the de-regulation of the water market and completed a full market tender in 2020 to maximise benefit from this.

Waste
In 2020 the Group diverted 99.8% of direct controlled waste from landfill and recycled nearly 6,000 tonnes or 68.5% of total waste in restaurants where we directly control the services. Excluded from this are any locations where services are communal and/or provided by the landlord.

In order to reduce waste caused by Government-mandated lockdowns or tiered trading at short notice we have started some new initiatives:

- working with food banks across the UK to ensure we have minimised any waste in our distribution system due to disrupted trading. Over 15,000 cases of food (equivalent to 81 tons) were saved from being thrown away and provided to good causes.
- Frankie & Benny's has also worked with 'Too Good To Go' to ensure food waste at site was minimised. We were able to avoid wasting 1,600kg of food waste and therefore saved 4,000kg of CO_2e.

Pages 04 to 27 form the Strategic report.

Approved by the Board of Directors and signed on its behalf by:

Kirk Davis
Chief Financial Officer

10 March 2021

Corporate Governance report

Chairman's introduction

The outbreak of Covid-19 and its continuing impact meant that 2020 was an extraordinary and unprecedented period of disruption for the Company, the hospitality sector, and the wider economy. We outline elsewhere in this Annual Report the decisive actions taken by the Board to ensure the health and safety of our customers and colleagues and to protect the future of the business. The purpose of this report is to explain how the Board directs the Company, and in particular, how the Directors set the strategy, identify and mitigate the risks and how we monitor performance. This report also summarises how specific corporate governance arrangements have been implemented throughout the year. Further information on the key decisions taken by the Board can be found in the section 172 statement on page 18.

The principal corporate governance rules applying to the Company are contained in the Financial Reporting Council's (FRC) UK Corporate Governance Code 2018 and the UK Financial Conduct Authority (FCA) Listing Rules.

The Board is responsible for setting our strategy, providing independent oversight of the Company's performance and approving the funding and major capital allocations of the Group, to achieve the growth of shareholder value, taking account of the interests of all stakeholders, identifying and managing risks and this year, dealing with the effects of the Covid-19 crisis.

The non-executive Directors discuss, shape and agree the strategy and the relevant priorities with the Executive Directors and then hold the Executives accountable for its execution. The Board delegates day-to-day responsibility for running the Group to the Chief Executive Officer and passes specific responsibilities of oversight to various Board committees. The overall aim is for the Board to provide constructive challenge and support to the Executive Directors, ensuring that it does so by promoting high standards of corporate governance.

As Chairman, my role is to promote a culture of openness and accountability, ensuring the Board receives accurate, timely and clear information, that it is consulted with on all relevant matters, and that we promote effective communication with all of our stakeholders and that the market is updated as appropriate, especially important in light of the changing Covid-19 crisis. My personal objective is to provide clear and cohesive leadership of the Board, ensuring that the Board has the right mix of skills and experience and effective interactions to carry out its role effectively. We ensure that the appropriate culture, values and ethics are applied to promote the Company's long-term success, and that we send out consistent messages on the core values of the Company, clearly communicating acceptable behaviours from ourselves, our people, our suppliers and our partners. We regularly review our performance against best practice Corporate Governance standards.

Debbie Hewitt MBE
Chairman

The Board

Details of the Chairman, Senior Independent Director and other members of the Board, Audit Committee, Nomination Committee and Remuneration Committee are set out in this Annual Report in the biographies of the Directors. There have been a number of Board changes throughout the year, which are detailed below.

The Board was strengthened by the appointment of two new non-executive Directors – Alison Digges and Zoe Morgan – from 1 January 2020. Alison also became a member of the Audit and Nomination Committees and, later in the year, the Remuneration Committee. Zoe became a member of the Remuneration and Nomination Committees and subsequently Chair of the Remuneration Committee.

After nine years as a non-executive Director of the Company, Simon Cloke stepped down from the Board on 26 February 2020. After 4 years with the Company, Mike Tye stepped down as a non-executive Director and Chairman of the Remuneration Committee on 6 April 2020. Zoe Morgan took over as Chairman of the Remuneration Committee from that date.

On 6 November 2020, Allan Leighton stepped down from the Board. Graham Clemett, the Chairman of the Audit Committee, became Senior Independent Director from that date and we commenced a process to recruit an additional non-executive Director. We announced the appointment of Alex Gersh, who joined the Board on 23 February 2021. Alex is currently the CFO of Sportradar, a global leader in leveraging the power of sports data and digital content for clients around the world. Prior to that, he was CFO of Carzoo, an online used car business, and was previously CFO of the FTSE 100 listed business Paddy Power Betfair Group, where he played a key role in the merger of Betfair with Paddy Power plc and in driving the subsequent success of the combined business. As well as his strong listed financial experience, he brings deep strategic, commercial and digital skills, significant consumer insight and broad non-executive experience.

Statement of compliance with the UK Corporate Governance Code

The Company is required to measure itself against the UK Corporate Governance Code 2018 (the 'Code') which is available on the Financial Reporting Council website (www.frc.org.uk).

Throughout 2020, the Company complied with the principles set out in the Code with the exception that, following the resignation of Mike Tye on 6 April, the Remuneration Committee temporarily comprised two independent non-executive Directors (in addition to the Company Chairman) instead of three as required by the Code, until 22 June when Alison Digges joined the Committee thus ensuring full compliance with the Code requirement. Following the resignation of Allan Leighton on 6 November, the Audit Committee temporarily comprised two independent non-executive Directors instead of three as required by the Code, until 23 February 2021 when Alex Gersh joined the Committee thus ensuring full compliance with the Code requirement.

Further explanations of how the Main Principles of the Code have been applied are set out below and also in the Audit Committee report and Directors' remuneration report.

Leadership

Role of the Board

The Board's role is to review, challenge and approve the strategic direction of the Group as well as the business operating model that delivers on the strategic priorities. It looks to ensure that the necessary financial and human resources are in place to achieve these priorities, to sustain them over the long-term and to review management performance in their delivery.

Its role is also to provide strong values-based leadership of the Company. The Board sets the tone of the Company's ethical standards and manages the business in a manner to meet its obligations to all stakeholders.

As reported elsewhere in this Annual Report, the Board spent the major part of 2020 dealing with the Covid-19 crisis and the changing Government lockdowns and restrictions which have affected the hospitality sector. Decisive actions were taken in response to the pandemic including implementing significant restructuring actions resulting in a higher quality, diversified estate; securing additional funding, covenant waivers and increased tenure from our banking group; controlling costs and capital expenditure and (where possible) promoting trading through enhanced arrangements to ensure guest and team safety, introduction of new technology and optimising off-trade channels such as delivery and take-away.

The Directors who held office during 2020 were as follows:

Director	Role	Details
Debbie Hewitt	Chairman	Appointed Chairman May 2016, non-executive Director from May 2015
Andy Hornby	Chief Executive Officer	Appointed August 2019
Kirk Davis	Chief Financial Officer	Appointed February 2018
Graham Clemett	Non-executive Director and Chairman of Audit Committee. Senior Independent Director (from November 2020)	Appointed June 2016
Simon Cloke	Non-executive Director	Appointed March 2010, previously Chairman of Audit Committee. Resigned February 2020
Alison Digges	Non-executive Director	Appointed January 2020
Allan Leighton	Non-executive Director and Senior independent Director (to November 2020)	Appointed December 2018 Resigned November 2020
Zoe Morgan	Non-executive Director. Chairman of Remuneration Committee (from April 2020)	Appointed January 2020
Mike Tye	Non-executive Director and Chairman of Remuneration Committee (to April 2020)	Appointed April 2016 Resigned April 2020

The Board considers each of the current non-executive Directors to be independent, including the Chairman of the Board on appointment, as set out in the Code. Each Director demonstrates the skills and experience the Board requires for the success of the Group. Biographies of the current Directors are set out on pages 38 and 39.

Division of responsibilities

Andy Hornby, Chief Executive Officer, together with the senior management team, is responsible for the day-to-day running of the Group and regularly provides reports on performance to the Board.

Debbie Hewitt, Chairman, leads the Board to challenge and support the Executives in shaping, agreeing and executing the strategy.

Non-executive Directors maintain an ongoing dialogue with the executive Directors, which includes constructive challenge of the Group's strategy and of day-to-day performance. The non-executive Directors are provided with insightful and appropriate information to allow them to monitor, assess and challenge the executive management of the Group.

The Chairman, Chief Executive Officer and Chief Financial Officer meet regularly with shareholders. The Senior Independent Director is available to liaise with any shareholders who have concerns that they feel have not been addressed through the usual channels of the Chairman, Chief Executive Officer and Chief Financial Officer.

The Board has a formal schedule of matters specifically reserved for its consideration, which includes items such as the approval of the annual budget and business plan; approval of the Group's interim and year-end reports; review and approval of significant capital expenditure; significant disposals of assets and acquisitions and disposals of businesses. Any matter not formally reserved to the Board is generally delegated to management, unless it has some unusual or significant feature which makes it appropriate for it to be considered by the Board.

Meetings and attendance

A summary of the Directors' attendance at meetings of the Board and its Committees that they were eligible to attend during 2020 is shown below. Unless otherwise indicated, all Directors held office throughout the year:

	Committee appointments	Board	Audit Committee	Nomination Committee	Remuneration Committee
Debbie Hewitt	Nom/Rem	15/15	n/a	4/4	10/10
Andy Hornby	n/a	14/14[1]	n/a	n/a	n/a
Kirk Davis	n/a	14/14[1]	n/a	n/a	n/a
Graham Clemett	Audit/Nom/Rem	15/15	3/3	4/4	10/10
Simon Cloke[2]	Audit/Nom	2/2	1/1	–	n/a
Alison Digges[3]	Audit/Nom/Rem	15/15	3/3	4/4	6/7
Allan Leighton[4]	Audit/Nom	12/13	2/2	2/2	n/a
Zoe Morgan	Nom/Rem	15/15	n/a	4/4	10/10
Mike Tye[5]	Audit/Nom/Rem	3/4	1/1	0/1	3/3

1. Andy Hornby and Kirk Davis did not attend one Board meeting called to discuss their remuneration, to avoid any conflict of interest.
2. Simon Cloke stepped down from the Board on 26 February 2020. He attended all Board and Committee meetings held before that date.
3. Alison Digges joined the Remuneration Committee on 22 June 2020.
4. Allan Leighton stepped down from the Board and all Board Committees on 6 November 2020.
5. Mike Tye stepped down from the Board and all Board Committees on 6 April 2020.

Comprehensive electronic papers are provided to the Directors prior to Board meetings and to Committee members prior to Board Committee meetings, and financial information packs are provided on a monthly basis. The non-executive Directors have the opportunity to meet without the executive Directors to examine, among other matters, the targets set and the performance achieved by management.

Independent advice
All Directors have access to the advice and services of the Company Secretary and in the furtherance of their duties, Directors are entitled to take independent professional advice if necessary, at the expense of the Company.

Conflicts of interest and independence
The Board reviews potential conflicts of interest and independence where necessary at each meeting. Directors have continuing obligations to update the Board on any changes to these conflicts or matters which may impinge upon their independence. The following potential conflicts were highlighted during the year:

Debbie Hewitt is also Independent non-executive Chairman of BGL (Holdings) Limited, the owner of Compare the Market Limited, which promotes Meerkat Meals, a campaign in which the Group's Leisure brands participated during the year (although they no longer do so). Debbie Hewitt took no part in any Board discussions concerning Meerkat Meals throughout the year.

Directors' and Officers' liability ('D&O') insurance
The Company maintains D&O insurance to cover the cost of defending civil and criminal proceedings brought against an individual acting in their capacity as a Director or Officer of the Company (including those who served as Directors or Officers during 2020).

Effectiveness
Board composition and diversity
As required by the Code, at least 50% of the Board, excluding the Chairman, are independent non-executive Directors. As at 27 December 2020, the Board comprised the non-executive Chairman, two Executive Directors and three independent non-executive Directors. The Board considers that all the non-executive Directors, including the Chairman on appointment, are independent.

It is the Board's policy that appointments to the Board will always be based solely on merit without any discrimination relating to age, gender or any other matter that has no bearing on an individual's ability to fulfil the role of Director. Notwithstanding this policy, the Board is mindful of the aims of the Hampton-Alexander Review, an independent review body which aims to improve women's representation at board level and in leadership roles. This principle of Board diversity is strongly supported by the Board, recognising that diversity of thought, approach and experience is an important consideration as part of the selection criteria used to assess candidates to achieve a balanced Board.

The Company is a member of WiHTL Diversity in Hospitality Travel & Leisure (formerly the Women in Hospitality, Travel and Leisure 2020 initiative) devoted to increasing women's and ethnic minorities' representation at all levels and in leadership positions across Hospitality, Travel and Leisure, and our Chairman, Debbie Hewitt is a member of its advisory board. Over 50 of the largest employers in the sector have come together to share best practices, learn from each other, and join resources to work on tangible actions aimed at making long-lasting impact in terms of diversity and inclusion.

Further details on the Board's and the Group's policy on diversity are contained in the Nomination Committee report on page 45 and the Corporate Social Responsibility report on page 20.

The table below sets out the position of the Group on a gender basis as at 27 December 2020:

	Male	Female
Main Board	3 (50%)	3 (50%)
Divisional Heads	1 (33%)	2 (67%)
Direct Reports to Executive Directors	7 (78%)	2 (22%)
TRG Employees at December 2020	7,306 (53%)	6,603 (47%)

Following the retirement of Simon Cloke from the Board on 26 February 2020, the Board comprised 5 males (62.5%) and 3 females (37.5%). Following the resignation of Mike Tye on 6 April, the Board comprised 4 males (57%) and 3 females (43%). As at 27 December 2020, the Board comprised 3 males (50%) and 3 females (50%).

The Board is also mindful of the aims of the Parker Review, an independent review body dedicated to improving the ethnic and cultural diversity of UK boards to better reflect their employee base and the communities they serve. The business currently has no director from an ethnic minority background either on the Board or the Executive Committee. The Board will develop a pipeline of candidates and mentoring schemes, working towards the goal of making an appointment by 2024.

The Board considers that each Director is able to allocate sufficient time to the Company to discharge their responsibilities effectively.

Colleague engagement
Our aim is to create great places to work that attract and retain the best industry talent and we believe that wider colleague engagement is an essential part of this. In 2019, the Board agreed its approach to wider colleague engagement and decided to create a formal Workforce Advisory Panel across all brands and HQ, and to work with a designated non-executive Director – Allan Leighton, the Senior Independent Director at the time – providing colleagues across all brands the opportunity to engage directly with a representative from the Board on all matters relating to colleague engagement. The Workforce Advisory Panel met once in February 2020 however the work and intentions of the Panel were overtaken by the Covid-19 crisis and the Government lockdowns which hit shortly thereafter.

Following the resignation of Allan Leighton, Zoe Morgan has taken over as the designated non-executive Director responsible for colleague engagement and has set up a new Colleague Engagement Steering Group to steer the implementation of colleague engagement across all our divisions. The Steering Group met in December 2020 to plan activity for 2021. Key activities for the Steering Group will be:

- overseeing the engagement with our colleagues during the current lockdown and over the subsequent period of returning to work and re-opening of our estate;
- supervising the implementation of an all-employee survey – provisionally planned for Q2/Q3, subject to returning to normal trading (the last such survey was conducted in June 2019 and was sent to more than 18,000 colleagues with 67% responding) and
- ensuring that the Board understands and takes into account the views of colleagues across the Group.

During the lockdown, the Wagamama management relocated to the Group Head Office and some further work was carried out to create more open-plan collaboration spaces, communal break-out areas and a specific area for 'town hall' meetings. Throughout 2021, we will be reviewing our colleague value proposition as we start trading again to ensure that we are attracting and retaining top talent. We also intend to continue improving our colleague communications through tools such as 'Woks App' and 'The Sauce' specifically aimed at driving more effective and efficient colleague self-service communication tools, which ensure our teams are informed of relevant news for their brand and across the Group. We are also planning a wide variety of activities, once we re-commence operations, including town hall briefings, conferences and regular awards, to ensure our teams have opportunities to input to the priorities of the business.

Environment and Sustainability
The Board acknowledges its responsibility to minimize the Company's impact on the environment and supports and promotes efforts to reduce the Company's energy consumption and carbon emissions, water usage and waste. Details of our environmental policies and practices, and our commitment to sustainable and ethical sourcing are contained in the Corporate Social Responsibility report on page 20.

We recognise that we are on a journey to understand and manage the full impact of climate change on our business model and strategy. Our Chairman and other non-executive Directors are members of Chapter Zero, a forum which helps non-executive directors to enhance their knowledge, understanding and experience of climate change. We will start an assessment to comprehend and manage the impact and plan to work towards full disclosure in line with the globally-recognised reporting framework of the Taskforce for Climate-related Financial Disclosures (TCFD) by 2022. This framework provides guidance for disclosures on four key components of governance, strategy, risk management, and metrics and targets. We plan to identify:

- the potential and actual impacts of climate related risks;
- how we will assess and manage them;
- the governance in place to provide oversight and
- the change related metrics and targets.

Annual re-election
In accordance with the Code, Alex Gersh is subject to election by shareholders at the Annual General Meeting (AGM) in May 2021. All other Directors are subject to re-election annually. As such, no non-executive Directors seeking re-election have an unexpired term in their letters of appointment. Details setting out why each Director is deemed to be suitable for re-election will be included with the AGM papers circulated to shareholders.

Board committees
The Board is supported by three committees: Audit, Nomination and Remuneration. The terms of reference of these committees are available at http://www.trgplc.com/investors/corporate-governance. Full reports for each of the committees are set out on pages 40 to 65.

Director induction
Alison Digges and Zoe Morgan, who joined the Board in January 2020, were provided with an induction on appointment, including:

- briefings by the Executive Directors;
- meetings with the MDs of each Division;
- induction from the Company Secretary on Group structure, corporate governance, Board and Committee meetings and Directors' duties;

- meetings with various senior managers and operational heads;
- visits to the Group's operations including various restaurants and pubs to witness the operations first-hand and
- where appropriate, meetings with shareholders, suppliers and company advisers.

A similar induction process will be provided to Alex Gersh. Each Director's induction is tailored to their experience and background with the aim of enhancing their understanding of the Group's business, its brands, employees, shareholders, suppliers, advisers and processes, and the Board's role in setting the tone of the culture and governance standards.

Director training and development

The Company acknowledges the importance of developing the skills of Directors to run an effective Board. To assist in this, Directors are given the opportunity to attend relevant courses and seminars to acquire additional skills and experience to enhance their contribution to the ongoing progress of the Group. Presentations by external advisers are also given at Board meetings on specific regulatory and governance topics. In 2020, presentations were given on:

- Brexit planning – covering supplier arrangements, product availability, tariff and cost implications and contingency planning;
- Directors' Duties – covering in particular, directors' interests and their directors' duties under the Act, including those set out in sections 171-177 of the Companies Act and
- Covid-19 safety precautions – covering Government guidelines and recommendations, colleague and guest safety, social distancing, PPE, cleaning and sanitizing.

Board effectiveness review

The prior year's Board and Committee evaluation in December 2019 identified five key areas of focus: strategic scenario planning, the associated talent management priorities; improvement in board processes; succession planning for Board committees and a full review on management incentives, with the need to be ready for the Remuneration Policy review (at that stage planned for early 2021).

In 2020, although Covid changed the operating priorities for the business, much progress was made across these five areas, specifically:

- strategic scenario planning became crucial, specifically a review of all business units and their long-term viability in the context of capacity. A CVA of the Leisure estate created the opportunity for an operational reset and a smaller, slimmed-down portfolio allowed the team to adapt to a more focused offering, which was able to develop a click-and-collect opportunity throughout lockdown;
- talent management became a challenge as we disposed of assets. Nevertheless we continued the programme to achieve our diversity targets, impacting the Board, and the management population;
- Board processes were improved, including the appointment of a Deputy Company Secretary as well as an improvement in the quality and timeliness of Board papers and the embedding of operational risk management;
- succession planning for Board Committees worked well. We appointed a new and experienced Remuneration Committee Chair who was able to initiate an early review of the Remuneration Policy and we concluded the year, following the resignation of a NED, in recruiting succession for the Audit Committee;
- the Remuneration Policy was reviewed, approved and implemented in October 2020, well ahead of its expiry, reflecting the specific challenges of Covid.

A new Board and Committee evaluation was conducted in December 2020. All Executive Directors, non-executive Directors and the Company Secretary participated. Input was provided through a questionnaire consisting of 51 questions, covering the areas of Board Process, Business Strategy Skills and Influence, Governance and Stakeholder Management and a separate section on Covid-19 and the Board's response to the pandemic. There were also questions on the effectiveness of each Board Committee. There was a range of agree, disagree and strongly disagree responses to a series of statements, with space to add qualitative comments and examples. There was a 100% completion and submission rate. The review was performed internally and the results discussed at a Board meeting, with a separate feedback session by the Senior Independent Director to the Chairman.

As a result, this year's evaluation highlighted the following:

- generally a positive evaluation of the Board, given the torrid year, with significant alignment across the Board on the key strengths and areas to watch. Although many commented that we didn't initially appreciate the significance of the pandemic in the early stages, all felt that the Executives responded proactively and executed on the front foot, including an early equity raise, the TRG UK Ltd. company voluntary arrangement (CVA), the adoption of the new Restricted Share Plan and planning around the refinancing;
- all responses indicated there had been improvement, including the timeliness of papers and quality of Executive and HQ team, as well as the leadership and quality of the Committees;
- key areas for improvement were more insight to the competitive context of each business; more frequent MI (especially cash flow); better engagement with employees and understanding of the culture from the Board process; ESG to come higher up the agenda, a more granular understanding of risk management and the addition of an experienced NED in Q1 2021 (this has been satisfied by the appointment of Alex Gersh);
- from a process point of view, there was a strong desire to return to face-to-face meetings when possible, which should help develop more of a team ethos, and to clarify Company Secretarial responsibilities going forward; and
- it was felt that the Board Committees largely worked well, although Audit required another experienced member (prior to Alex Gersh's appointment) and Remco needed to review incentives below direct reports of the Executives.

After a wide-ranging debate, the Board agreed the following actions:

Board Process
There was a desire to make a speedy return to face-to-face meetings, when possible and clarify the division of responsibilities within the Company Secretariat team.

Strategy
Better insight to the competitive context and channels to be included in Divisional strategic reviews with a conscious shift to scenario planning post Q1, 2021.

Skills and influence
Recruitment of an experienced NED with PLC financial credentials (which has led to the appointment of Alex Gersh), and a desire to avoid duplication in Board discussions and presentations.

Governance
Improve employee/board engagement process to ensure better engagement with colleagues and understanding of the culture by the Board process. Desire to ensure adequate Board time for ESG matters.

Covid-19
Board to receive monthly management accounts, including cashflow.

Committees
Of specific note were:

Audit:	Desire for Risk Management to be more granular and included as a more substantial part of the Committee agenda.
Remuneration:	Insight and review of staff Incentives below Executive reports to be included as part of Divisional reviews, to ensure they motivate and incentivise the right behaviours.
Nominations:	Re-commence review of talent below Executive level in Divisional reviews.

The Board also held a full debate on the succession options and timings for both Executive and non-executive roles, agreeing some key assumptions, including the number of Directors and current composition of the Board, and the skill sets of any future non-executive Directors and succession options for the Executives and senior management.

Individual Director appraisal process

Individual performance evaluations of all members of the Board are carried out by the following individuals:

Director being appraised	Appraiser
Chairman	Reviewed by the Executive and non-executive Directors excluding the Chairman and feedback facilitated by the Senior Independent Director.
Chief Executive Officer	Reviewed by all the non-executive Directors and Chief Financial Officer and feedback facilitated by the Chairman.
Chief Financial Officer	Reviewed by the Chief Executive Officer and all the non-executive Directors and feedback facilitated by the Chief Executive Officer and Chairman.
Non-executive Directors	Reviewed by the Executive Directors and by their non-executive Director peers and feedback collated and given by the Chairman.

Accountability

Risk management

The Board has ultimate responsibility for ensuring that business risks are effectively identified, mitigated and managed. The Board has delegated regular review of the risk management procedures to the Audit Committee and collectively reviews the overall risk environment on an annual basis, which includes the principal risks and mitigation plans as set out on page 70. The day-to-day management of business risks are the responsibility of the senior management team together with the Senior Management Risk Committee. For the report of the Risk Committee see pages 69 to 70.

Internal controls
The Group has a system of internal controls, which aim to support the delivery of strategy by managing the risk of failing to achieve business objectives and the protection of assets. As such the Group can only provide reasonable and not absolute assurance.

The Group insures against risks, but certain risks remain difficult to insure, due to the breadth and cost of cover. In some cases, external insurance is not available at all, or not at an economical price. In such cases the Group identifies and agrees to accept such risk. The Group regularly reviews both the type and amount of external insurance that it buys. There were no meaningful changes to the policy undertaken in 2020.

Remuneration
For information on remuneration, see the Directors' remuneration report on pages 48 to 65.

Board decision-making
The Board is required to act in the way it considers would be most likely to promote the success of the Company for the benefit of its members as a whole, and in so doing, have regard to the interests of certain stakeholders and the other matters set out in section 172 of the Companies Act 2006. For information on the Board's decision-making see the section 172 Statement on pages 18 to 19.

Relations with shareholders
Share capital structure
The Company's issued share capital at 27 December 2020 consisted of 589,795,475 ordinary shares of 28 1⁄8 pence each. There are no special control rights, restrictions on share transfer or voting rights, or any other special rights pertaining to any of the shares in issue, and the Company does not have preference shares. During the year, a total of 98,299,245 new ordinary shares in the capital of the Company were issued as a result of a private placing ('Placing') and a concurrent subscription by certain Directors ('Subscription'), which raised gross proceeds of approximately £57 million. The new shares issued represented approximately 19.9 per cent of the existing issued ordinary share capital of the Company prior to the Placing and Subscription.

As far as is reasonably known to the Board and Management, the Company is not directly or indirectly owned or controlled by another Company or by any government.

As granted at the 2020 AGM, the Directors currently have authority to allot shares in the Company (a) up to a nominal amount of £55,293,326 (such amount to be reduced by any allotments or grants made under (b) in excess of such sum); and (b) comprising equity securities (as defined in section 560 of the Act) up to a nominal amount of £110,586,652 (such amount to be reduced by any allotments or grants made under (a)) in connection with an offer by way of a rights issue: (i) to holders of ordinary shares in the capital of the Company and (ii) to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the Directors otherwise consider necessary, such authority to expire at midnight on 19 August 2021 or, if earlier, the 2021 AGM, where it is intended that a resolution granting a similar authority will be put to shareholders.

As granted at the 2020 AGM, the Company is currently authorised to purchase its own shares and to cancel or hold in treasury such shares provided that: (a) the maximum aggregate number of shares authorised to be purchased is 58,979,547 (representing approximately 10% of the Company's then issued share capital); (b) the minimum price (exclusive of expenses) which may be paid for each share is 28.125p (being equal to the nominal value of each share); and (c) the maximum price (exclusive of expenses) which may be paid for each share is the higher of (i) an amount equal to 105% of the average of the middle market quotations for the shares as derived from the London Stock Exchange Daily Official List for the five business days preceding the date on which the shares are contracted to be purchased, and (ii) the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange Daily Official List at the time of the purchase. This authority will lapse on 19 August 2021 or, if earlier, at the 2021 AGM, where it is intended that a resolution granting a similar authority will be put to shareholders.

Board engagement with shareholders
Communications with shareholders are given high priority. There is regular dialogue with institutional investors including presentations after the Company's year-end and interim results announcements. A programme of meetings takes place throughout the year with major institutional shareholders, with both Executive Directors attending, with a follow-up meeting offered by the Chairman. Private shareholders have the opportunity to meet the Board face-to-face and ask questions at the AGM.

In addition to the Board's regular engagement with shareholders in 2020, the Chairman of the Board and the Chairman of the Remuneration Committee consulted extensively with the Company's top 12 shareholders in respect of the new Directors' Remuneration Policy and Restricted Share Plan.

Board shareholder updates
Feedback from major institutional shareholders is provided to the Board on a regular basis and, where appropriate, the Board takes steps to address their suggestions, concerns and recommendations.

Electronic shareholder communications
As part of the Company's commitment to reducing its energy consumption, carbon emissions and waste, we ask shareholders to elect to view our annual reports, notices of meetings and other shareholder documentation online, rather than in paper form. This helps decrease the amount of paper the Company uses, which reduces the Company's impact on the environment, as well as its costs. Shareholders retain the right to ask to receive hard copy shareholder communications by post if they so wish.

Brexit planning
The impact of Brexit and the end of the transition period on 31 December 2020 on our business was an important consideration for the Board throughout 2020, especially given the uncertainty throughout the year as to whether a binding agreement would be reached between the UK and the EU and the terms of any future trading relationship. The Board was particularly aware of the potential impact on our business, our customers, employees and our suppliers of a 'no deal' scenario and ensured that the Group had in place appropriate arrangements and contingency plans. We also provided information and support for our non-UK employees and put in place, and continue to review, product supply contingency plans as discussed in the Senior Management Risk Committee report on page 69.

Substantial shareholdings
As at 27 December 2020, the Company had been notified of the following interests of 3% or more in the issued share capital of the Company under the UK Disclosure and Transparency Rules:

	Number of shares	% of issued share capital
Columbia Threadneedle Investments	109,644,112	18.59
FMR LLC	44,696,530	7.58
Royal London Asset Management Ltd	32,177,242	5.46
J O Hambro Capital Management	28,340,329	4.81
Aberforth Partners LLP	27,958,579	4.74
Coltrane Asset Management LP	22,607,000	3.83
BlackRock Inc	20,371,697	3.46
The Vanguard Group Inc	18,193,405	3.08

Since 27 December 2020 and up to the date of this report, the Company has been notified of the following interests of 3% or more in the issued share capital of the Company:

	Number of shares	% of issued share capital
Columbia Threadneedle Investments	107,149,670	18.17
FMR LLC	45,646,441	7.74
Coltrane Asset Management LP	21,977,000	3.73
Royal London Asset Management Ltd	21,636,301	3.67
BlackRock Inc	20,723,592	3.52
The Vanguard Group Inc	18,263,587	3.09
J O Hambro Capital Management	15,734,851	2.67

Directors' shareholdings
For details of Directors' shareholdings, remuneration and interests in the Company's shares and options, together with information on Directors' service contracts, see pages 48 to 65 of the Directors' remuneration report.

Annual General Meeting
The AGM is an opportunity for shareholders to vote on certain aspects of Group business and provides a useful forum for communication with private shareholders. At the AGM shareholders receive presentations on the Company's performance and may ask questions of the Board. The Chairman seeks to ensure that all Directors attend and that the Chairs of the Audit, Remuneration and Nomination Committees answer relevant questions at the meeting. Where shareholder attendance is not permitted due to Government guidelines relating to Covid-19 (as was the case for the 2020 AGM), we provide a facility for shareholders to submit questions to the Directors electronically and the answers are published on our website.

The 2021 AGM will be held on 25 May 2021. The notice convening this meeting is expected to be sent to shareholders in mid-April along with the proxy forms and shareholder vouchers, and will be made available at the same time at www.trgplc.com/investors/reports-and-presentations.

By order of the Board.

Debbie Hewitt MBE
Chairman

10 March 2021

Board of Directors as at 10 March 2021

A Member of the Audit Committee
N Member of the Nomination Committee
R Member of the Remuneration Committee
Committee Chairman

Debbie Hewitt MBE
Non-executive Chairman

Debbie was appointed as a Non-Executive Director on 1 May 2015 and Chairman on 12 May 2016. She is currently Non-Executive Chair of White Stuff Ltd., Visa Europe Ltd. and BGL (Holdings) Ltd.

Her executive career was spent at RAC plc where she was Group Managing Director and prior to that she was in retail management with Marks and Spencer. She is a Fellow of the Chartered Institute of Personnel Development and was awarded the MBE for services to Business and the Public Sector in 2011.

Debbie chairs the Nomination Committee.

Andy Hornby
Chief Executive Officer

Andy joined the Company as Chief Executive Officer on 1st August 2019. Andy is an experienced company Chief Executive, with strong consumer and digital credentials. He was previously Co Chief Operating Officer of GVC Holdings PLC ('GVC'). After joining Gala Coral in 2011, he was successively Chief Executive of Coral, Chief Operating Officer of Gala Coral, Chief Operating Officer of Ladbrokes Coral (following the merger with Ladbrokes in 2016) and Co Chief Operating Officer of GVC (following the purchase by GVC in 2018).

Prior to joining Gala Coral, Andy was Group Chief Executive of Alliance Boots from 2009 to 2011, having previously held positions as Chief Executive of Halifax Retail, CEO of the Retail Division of HBOS plc, Chief Operating Officer of HBOS plc and then Chief Executive of HBOS plc from 2006 to the end of 2008. Earlier in his career Andy held a range of roles at Asda, the supermarket retailer, including Retail Managing Director and Managing Director of 'George' clothing.

Kirk Davis
Chief Financial Officer

Kirk joined the Company as Chief Financial Officer on 5 February 2018. He has extensive finance experience within listed leisure and retail businesses and was previously Chief Financial Officer at Greene King plc for three years. Prior to that he was Finance Director at JD Wetherspoon plc, and he has also held senior finance roles at Tesco plc and Marks & Spencer plc. He is a member of the Chartered Institute of Management Accountants.

Graham Clemett
Senior Independent Director

Graham was appointed as a Non-Executive Director on 1 June 2016. Graham is currently Chief Executive Officer of Workspace Group plc. He was previously Finance Director for UK Corporate Banking at RBS Group plc where he worked for 5 years. Prior to RBS, Graham spent 8 years at Reuters Group plc, latterly as Group Financial Controller. He qualified as a chartered accountant with KPMG.

Graham is Chairman of the Audit Committee.

Alison Digges
Independent Non-Executive Director

Alison Digges was appointed as a Non-Executive Director on 1 January 2020. Alison has extensive experience of running consumer businesses in the media and gaming sectors, leading programmes of digital transformation. She is currently the UK Managing Director of Digital for GVC PLC, one of the world's largest sports betting and gaming groups, with full P&L accountability for their gaming brands. She sits on their UK Digital Board. She previously held digital and marketing roles for Gala Coral, Datamonitor and Granada TV, and brings a wealth of commercial, operations and digital experience from multi-site consumer businesses.

Zoe Morgan
Independent Non-Executive Director

Zoe Morgan was appointed as a Non-Executive Director on 1 January 2020. Zoe is an experienced marketeer and Non-Executive Director. She has been Marketing Director of a number of retail, consumer and food businesses including Boots and the Co-operative Group. She has also been co-founder of a number of start-up businesses. She has a strong marketing background in multi-site, retail businesses, with a broad skill set in strategy, brand management and CRM. She has previously held a number of NED roles, including at Finsbury plc, a leading speciality bakery manufacturer, and Moss Bros Group plc, and chaired the Remuneration Committees of both organisations.

Zoe is Chairman of the Remuneration Committee.

Alex Gersh
Independent Non-Executive Director

Alex Gersh was appointed as a Non-Executive Director on 23 February 2021. Alex is currently the CFO of Sportradar, a global leader in leveraging the power of sports data and digital content for clients around the world. Prior to that he was CFO of Carzoo, an online used car business. He is an experienced listed business CFO and was previously CFO of the FTSE 100 listed business Paddy Power Betfair Group, where he played a key role in the merger of Betfair with Paddy Power plc and in driving the subsequent success of the combined business.

From 2018 to 2020, Alex was Non-Executive Director and Chairman of the Audit Committee of Moss Bros Plc, until the business was delisted in June 2020 and from 2007-2013, Alex was Non-Executive Director and Chairman of the Audit Committee of Black Earth Farming Ltd, an agricultural company, listed on NASDAQ OMX (Stockholm).

Audit Committee report

Graham Clemett
Chairman of the Audit Committee

The Audit Committee is appointed by the Board and the current members of the Audit Committee are Graham Clemett, Alison Digges, and Alex Gersh. It is chaired by Graham Clemett and met three times during the year. Membership and attendance are set out below:

Membership during the year

A summary of the Directors' attendance at Audit Committee meetings that they were eligible to attend during 2020 is shown below:

Director	Status	Attendance
Graham Clemett	Member for whole year	3/3
Simon Cloke	Member until 26 February 2020	1/1
Mike Tye	Member until 6 April 2020	1/1
Allan Leighton	Member until 6 November 2020	2/2
Alison Digges	Member from 1 January 2020	3/3

Since 27 December 2020, there have been two Audit Committee meetings to review and approve this Annual Report and Accounts amongst other matters. Both meetings were attended by all members of the Audit Committee.

In accordance with the UK Corporate Governance Code ('Code') the Board considers that Graham Clemett has significant, recent and relevant financial experience based on his previous role as CFO of Workspace Group PLC, a FTSE250 company. Biographies of all Committee members, including a summary of their experience, appear on pages 38 to 39.

On an ongoing basis the Board reviews the composition of the Committee to ensure that it remains proportionate to its role and responsibilities and provides sufficient scrutiny of risk management, internal controls and external audit. Following the resignation of Allan Leighton, the Board has recruited a new Alex Gersh as a Non-Executive Director from 23 February 2021 who will also sit on the Audit Committee.

The Committee regularly invites the external audit lead partner, the Chairman of the Board, the other non-executive Directors, the Chief Executive Officer and the Chief Financial Officer to its meetings. The Committee meets privately with the external auditor at least annually and liaises with Company management in considering areas for review.

Role of the Audit Committee

The Committee is responsible for monitoring and reviewing the integrity of the Company's financial reporting in advance of its consideration by the Board, reviewing the adequacy of the Company's internal controls and risk management systems, and making recommendations to the Board in relation to the external auditor.

Key responsibilities

The Committee discharges its responsibilities through Committee meetings during the year at which detailed reports are presented for review. The Committee will also commission reports and presentations from external advisers and Company management in relation to the Company's major risks, or in response to developing issues.

The Committee's key responsibilities are to:

- provide additional assurance regarding integrity, quality and reliability of financial information used by the Board and externally published financial statements;
- review the Company's internal procedures on control and compliance for financial reporting to satisfy itself that these are adequate and effective;
- review the principles, policies and practices adopted in the preparation of the Group's financial statements to ensure they comply with statutory requirements and generally accepted accounting principles;
- review the adequacy and effectiveness of the Company's risk management and internal control, supported by the Senior Management Risk Committee;
- receive and review reports from the Group's external auditor concerning external announcements, in particular the Annual Report and Accounts and the Interim Report;
- develop and oversee the Company's policy regarding the external audit process, review the external auditor's independence, review the provision of non-audit services they provide and approve their remuneration;
- review the whistleblowing arrangements whereby employees may, in confidence, raise concerns about possible improprieties in financial reporting or other matters, to ensure there are proportionate and independent procedures in place and review the operational effectiveness of the Company's policies and procedures for detecting fraud or illegal acts; and
- consider any other matter that is brought to its attention by the Board or the external auditor.

2020 Committee activities

The Committee is required by its terms of reference to meet at least three times a year. During 2020, the Committee held three meetings and in discharging its responsibilities:

Financial and narrative reporting:

- reviewed the full year and interim results and associated announcements;
- considered whether taken as a whole the Annual Report and Accounts were fair, balanced and understandable and whether they provided the necessary information for shareholders to assess the Company's position, performance, business model and strategy;
- reviewed the suitability of the Group's accounting policies and practices; and
- discussed the Group's long-term viability and going concern statements.

External audit:

- received the external auditor review report on the Annual Report and Accounts and Interim Report process and discussed the 2020 year-end audit;
- reviewed the outputs of the FRC inspection of the 2019 audit;
- considered the scope and cost of external audit;
- considered the effectiveness of the external audit process;
- discussed the Board representation letter;
- considered the appropriateness of the Group's accounting policies and practices; and
- discussed the non-audit work carried out by the external auditor and its impact on safeguarding audit independence.

Internal control and risk management:

- reviewed the Group's principal risk factors (see page 70);
- reviewed the Group's internal controls and risk management systems;
- commissioned updates on cyber security and Brexit readiness; and
- discussed regular reports and copies of the minutes from the Chairman of the Senior Management Risk Committee.

Compliance, whistleblowing and fraud:

- reviewed the operational effectiveness of the Company's policies and procedures for detecting fraud or illegal acts and
- reviewed the Whistleblowing Policy and the effectiveness of the Company's whistleblowing arrangements, and received a report on whistleblowing activity.

Committee governance:

- reviewed the Committee terms of reference; and
- conducted an internally facilitated Committee effectiveness review.

Significant financial judgements

In recommending the Annual Report and Accounts to the Board for approval, the Committee reviewed in particular the accounting and disclosure of the following key accounting matters:

Matter considered	Action taken by the Committee
Going Concern	The Committee, alongside the wider Board, reviewed the base and stress case forecasts with management, and with reference to the existing, and new facilities. This included cash flows and forecast covenant calculations for the Group. The Committee also reviewed the Material Uncertainty disclosure in the Annual Report and Accounts and discussed the assessment by Management with the External Auditor. The Committee agreed with Management's assessment as explained on page 68.
Administrations and Company Voluntary Agreement (CVA)	The Committee reviewed the disclosures and the accounting for the administrations of Food & Fuel Limited, and Chiquito Limited and discussed with the external auditor. In addition, the Committee reviewed the accounting and disclosures for the CVA of TRG UK Ltd.
Useful economic life of Wagamama brand	The Committee reviewed Management's paper on the appropriateness of maintaining an indefinite useful economic life. Particular consideration was given to the current strength of the brand and its performance since acquisition, which was assessed using an agreed set of brand metrics including LFL sales performance versus the market, Net Promoter Score, and Staff Turnover. The financial forecast which demonstrated Management's intention, and ability, to keep investing in the brand to maintain its strength and relevance was also reviewed. This assessment was discussed with the Group and Divisional management, and the external auditor.
Impairment of tangible and intangible assets	The Committee reviewed the proposals prepared by management setting out their approach and challenged the key judgements made relating to impairment, such as forecast sales performance, allocation of central costs and discount rates, as well as reviewing this topic with the external auditor.
Segmental disclosure	The Committee reviewed the paper prepared by management on the determination and presentation of the operating segments within the Group and management's proposal to continue to aggregate into one reportable segment. The Committee focussed on the economic characteristics of the different operating segments, and the criteria set within IFRS8. The Committee agreed management's proposal subject to appropriate disclosure in the Accounting Policies and the Significant Judgements sections of the Annual Report.
IFRS 16	The Committee received a paper from Management at both the interim and year end meetings regarding the application of IFRS 16 and how it has been applied to the Group, taking into account the volume of changes to the leases following the CVA, Administrations and renegotiation of Concessionaire agreements. The Committee paid particular attention to the completeness of the calculations, and the judgemental decisions such as the calculation methodology applied. This was discussed with management, and the external auditor.
Exceptional costs	Management presented a paper to the Committee covering the details of all of the costs classified in the accounts as Exceptional in the year. This covered both the calculation of relevant amounts, as well as the rationale for separating them from the underlying trading of the business. These costs were reviewed and discussed with Management and with the external auditor.

Other areas considered included:

- the Financial Reporting Council's (FRC's) letter following the 2019 annual report;
- the FRC's findings with respect to the inspection of the 2019 external audit;
- the external auditor's improvements in its audit procedures to further improve audit quality; and
- management override of controls and consideration of bias underlying key estimates or judgements.

No unresolved issues remain from the Committee's consideration of these matters.

Fair, balanced and understandable

The Committee carried out an assessment of whether the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position, performance, business model and strategy. This assessment included a review for consistency of the narrative reporting and the financial statements and forms the basis of the advice given by the Committee to the Board to assist them in making this statement.

The Committee also considered the use of Adjusted Performance Metrics (APMs) in view of guidance from the European Securities & Markets Association, the equal prominence of such metrics and the definitions and reconciliations of these.

Long-term viability and going concern statements

The Committee considered, with reference to a detailed management paper, the Group's going concern and long-term viability statements. The viability period has been reduced from previous reports which looked forward three years to two years in the current statement. The rationale for this was discussed with management and the auditor and it was considered reasonable for this year only given the continued uncertainty of Covid-19. The Committee hopes that the plans set out by the UK Government in February and March 2021 will bring much greater visibility to future forecasts and that the viability period will return to three years for the 2021 Annual Report. The factors used when assessing the Group's viability for the next two years, together with the statement, are set out on page 16 and the Group's going concern statement on page 68.

External audit

The Committee has primary responsibility for overseeing the relationship with, and performance of, the external auditor. Annually the Committee undertakes a review of the objectivity and effectiveness of the audit process.

Auditor effectiveness

When considering the suitability of the external auditor, the Committee takes account of:

- the findings set out in the FRC's Audit Quality Review team's public reports on audit firms;
- any specific observations on the audit of the company arising from the FRC, including the inspection of the 2019 audit;
- the ability of the external auditor to add value through observations from the audit process and interactions with the Company's management;
- the arrangements for ensuring the independence and objectivity of the external auditor;
- the external auditor's fulfilment of the agreed audit plan;
- the robustness and perceptiveness of the auditor in their handling of the key accounting and audit judgements; and
- the external auditor's conclusions with regard to existing management and control processes.

The FRC's inspection of EY's 2019 audit concluded that there were no key findings and one area of good practice, but also identified three other findings for further improvement of the audit which have been implemented in EY's 2020 audit.

The Committee has informally discussed the effectiveness of the external audit for the 2020 year-end and, a formal assessment will be conducted after the approval of the financial statements have been approved in March 2021. The evaluation to date focused on: robustness of the audit process, quality of delivery, timeliness of addressing key matters, reporting and staffing. Subject to this review, it is therefore the Committee's intention to recommend the re-appointment of Ernst & Young LLP (EY) to shareholders at the Annual General Meeting in May 2021. If appointed, EY will hold office until the conclusion of the next Annual General Meeting at which accounts are laid.

Auditor independence

EY were appointed in November 2018, following a tender process as outlined in the 2018 Annual Report. This is the third year auditing the Group's annual report. Over that time, the audit has been led by Bob Forsyth. Audit Partner.

To ensure the external auditor remains independent the Committee considers the following:

- the external auditor's plan for the current year, noting the role of the external audit lead partner and their length of tenure;
- the arrangements for day-to-day management of the external audit relationship;

Audit Committee report continued

- a report from the external auditor describing their arrangements to identify, report and manage any independence matters or conflicts of interest; and
- the overall extent of non-audit services provided by the external auditor, in addition to its case-by-case approval of the provision of non-audit services by the external auditor.

Non-audit work and pre-approval policy
The Company has a non-audit work policy in place which was updated and approved in the December 2020 Audit Committee following the changes implemented in the Revised Ethical Standard 2019 issued by the FRC. The services that can now be provided by the auditor are restricted to a specific 'whitelist' of services closely linked to the audit or regulatory work. In line with the requirements of the Revised Ethical Standard, the external auditor would only be appointed to perform a non-audit service when it is consistent with the requirements and overarching principles of the Standard, and when its skills and experience make it the most appropriate supplier. The revised policy also requires upfront approval from the Audit Committee prior to any non-audit services being conducted.

The Committee aims to minimise non-audit fees as far as is possible and practicable. To safeguard objectivity and independence the Committee also assess whether any such fees are appropriate. The priority is to ensure that an effective, high quality audit can be conducted and independence maintained.

In normal circumstances, non-audit fees form a relatively minor proportion of the work carried out by EY. However, these fees have been elevated in 2018, 2020, and will continue to be so in 2021. In 2018, EY performed Reporting Accountant work on the acquisition of Wagamama. In 2020, they were engaged to provide comfort letters and working capital reports on an aborted equity issuance and debt refinancing. In 2021, EY have been engaged to provide comfort letters and working capital reports on the proposed equity issuance. We believed that EY as our auditors were best placed to provide these services, during the pandemic, as the services were closely associated with knowledge gained from the audit process and were required to be performed in a short timeframe. Therefore, the Committee requested EY to engage with the FRC to obtain clearance in advance of appointing EY to undertake the work. An FRC exemption was obtained to exceed the 70% non-audit fee cap for the year ending 2 January 2022. Separately, the Audit Committee also considered the safeguards that EY put in place to ensure its independence in undertaking the work.

As a result of the above workstreams, the audit fees to non-audit fee ratio has increased to 1:1.4 (2019:1:0.2). The Committee receives updates on the level of fees from the auditors twice per year.

Internal controls and risk management

Internal audit function
The Committee keeps under regular review the scope of the Group's internal control activity, which is currently solely focused on site level operational reviews. Given the significant interruptions to trade during the year, it was not considered appropriate to expand the role of internal audit during the year. However, a proposal to use an external firm to provide a broader focus to the internal audit function in 2021 has been approved.

Senior Management Risk Committee
As set out in the Risk Committee's terms of reference, the Committee Chairman received regular reports on its activities during 2020. For further details on the membership, roles and responsibilities and Risk Committee activities, see page 69.

The Group's principal risk factors are set out on page 70.

Committee Governance

Terms of reference
In December 2020, the Committee reviewed its terms of reference. The terms of reference were amended in to reflect the fact that two Committee members was sufficient for the Committee to be quorate, in accordance with the Code. The full terms of reference are available on the Company's website at www.trgplc.com/investors/corporate-governance.

Committee effectiveness review
A Board and Committee evaluation was conducted in December 2020. All Executive Directors, Non-executive Directors and the Company Secretary participated. Input was provided through a questionnaire consisting of 51 questions, covering the areas of Board Process, Business Strategy Skills and Influence and Governance and Stakeholder Management and a separate section on Covid-19 and the Board's response to the pandemic. There were also questions on the effectiveness of each Board Committee. The review was performed internally and the results discussed at a Board meeting where an action plan was agreed.

Of specific note for the Audit Committee was the desire for risk management to be more granular and included as a more substantial part of the Committee agenda.

On behalf of the Audit Committee

Graham Clemett
Chairman of the Audit Committee

10 March 2021

Nomination Committee report

Debbie Hewitt MBE
Chairman of the Nomination Committee

The Nomination Committee is appointed by the Board and as at 27 December 2020 comprised four independent non-executive Directors – the Committee Chairman, Debbie Hewitt, Graham Clemett, Alison Digges and Zoe Morgan. Alex Gersh joined the Committee on 23 February 2021.

The Nomination Committee met four times during the year.

Biographies of all Committee members, including a summary of their experience, appear on pages 38 to 39.

Role of the Nomination Committee

The principal role of the Committee is to review the structure, size and composition of the Board and its committees, to identify, evaluate and recommend candidates for appointment to the Board and its committees and to keep under review the Group's broader executive leadership and succession needs, together with Board, Board committee and senior leadership succession planning.

Key responsibilities

The Committee discharges its responsibilities through regular meetings during the year.

The Committee's key responsibilities are to:

- review the structure, size and composition (including the skills, knowledge, experience and diversity) and effectiveness of the Board and make recommendations of any changes;
- give full consideration to succession planning for Directors and the executive leadership and executive succession needs of the Group;
- recommend Directors for annual re-election, and explicitly keep under review Directors being re-elected for a term exceeding six years and
- make recommendations for new Director appointments to the Board.

Nomination Committee report continued

2020 Committee activities
The Committee is required by its terms of reference to meet at least twice a year. During 2020, the Committee held four meetings and considered the following matters:

- the structure and skill set of the Board, including its diversity in composition, skills, thinking and approach and its Committee succession needs;
- in light of the ongoing impact of Covid-19 on the Group, the Committee considered the appropriate size of the Board and, in particular the number of NEDs, given the likely organisational restructuring which would reduce the scale of the business and recommended reducing the overall number of non-executive Directors from six to five;
- following Mike Tye's offer to step down as a non-executive Director and Chairman of the Remuneration Committee with effect from 6 April 2020, Zoe Morgan took up the role of Chairman of the Remuneration Committee, having previously been identified by the Committee as the successor to Mike Tye;
- the appointment of Alison Digges to the Remuneration Committee to ensure compliance with the UK Corporate Governance Code requirement that a remuneration committee consists of a minimum of three independent non-executive directors;
- the appointment of Graham Clemett as Senior Independent Director in November 2020, following the resignation of Allan Leighton as non-executive Director;
- the nomination of Zoe Morgan as the designated non-executive Director for colleague engagement in accordance with the UK Corporate Governance Code, replacing Allan Leighton;
- the recruitment of a new non-executive Director, with strong financial skills, including the appointment of an executive search firm and the process to be adopted and
- the format and process of the Committee evaluation, in particular the areas of focus and subsequently a review of the outcome and development of an action plan.

The Committee took part in the comprehensive Board effectiveness review at the end of 2020.

Effectiveness of the Committee
The Board effectiveness review concluded that the Committee was, on the whole, working effectively, with an inclusive and forward-thinking approach. Progress included:

- the induction and integration of new non-executive Directors;
- improved diversity in Board composition;
- decision to implement a more simplified group executive structure, focused around individual brands, and the recruitment of a new Group Managing Director for the Leisure brands;
- the subsequent reduction in the number of non-executive Directors;
- succession achieved for the Senior Independent Director role and
- succession identified going forward for the Audit Committee chair.

The areas for improvement and focus going forward:

- succession for Group Chairman (over the next 24/36 months)
- further enhancement of diversity of the Board;
- talent management across the business and
- executive succession planning.

Board changes during the year
Board changes during the year are detailed in the Corporate Governance report on page 28.

Non-Executive Director recruitment
The Company engaged an executive search consultant, Sam Allen Associates, to assist in the recruitment of a new non-executive Director. Sam Allen Associates has no other connection with the Company. Following an extensive search, the Company announced the appointment of Alex Gersh as non-executive Director with effect from 23 February 2021. Alex also became a member of the Audit and Nomination Committees.

Board and senior management diversity
On an ongoing basis, the Committee keeps under review the tenure and qualifications of the executive and non-executive Directors to ensure the Board has an appropriate and broad mix of skills, experience, knowledge and diversity.

The aim of the Board's approach to diversity is to ensure that the Group has in place the most effective Board, management and colleagues to represent and operate the business effectively for the benefit of all its stakeholders.

The Committee continues to be aware of, and embrace, the Hampton-Alexander Review on Improving Gender Balance in FTSE Leadership and its targets of 33% female representation on the executive committee and in their direct reports by 2020. The Board is aligned on these ambitions. As at 27 December 2020, the Board comprised 50% female representation and 2 of the 3 Divisional Managing Directors (67%) were female. As at the date of this report (following the appointment of Alex Gersh), the Board comprises 43% female representation.

The Committee also embraces the Parker Review on the ethnic diversity of boards, and its recommendations concerning the representation of people of colour on boards and in the senior management and executive ranks of organisations. The Board recognises the value of, and strongly supports, the principle of diversity generally, particularly cognitive diversity and over the coming years will work to ensure that the Group maximises the benefits that diverse management and employees can bring.

Further details on the Group's policy on diversity are included in the Corporate Governance report on pages 28 to 37 and the Corporate Social Responsibility report on page 22.

Succession planning
The Nomination Committee keeps under review the skill set and tenure of non-executive Directors to ensure the appropriate mix of skill and independence is maintained for the Board and its Committees. No current Directors have Board tenure exceeding six years.

The Committee also monitors executive succession planning to ensure the Company has a strong leadership pipeline.

Annual re-election of Directors
As required by the Code, all Directors are subject to annual re-election and as such, details setting out why each Director is deemed to be suitable for reappointment will be included with the AGM papers circulated to shareholders.

Committee Governance
Terms of reference

The full terms of reference are available on the Company's website at http://www.trgplc.com/investors/corporate-governance.

On behalf of the Nomination Committee.

Debbie Hewitt MBE
Chairman of the Nomination Committee

10 March 2021

Directors' remuneration report

Zoe Morgan
Chairman of the Remuneration Committee

Dear Shareholder,
I am pleased to provide the Directors' remuneration report for the year ended 27 December 2020, my first as Chairman of the Remuneration Committee (the 'Committee'). The Committee currently consists of myself, Debbie Hewitt, Graham Clemett and Alison Digges.

As usual, the annual statement and annual report on remuneration, which provide details of the remuneration earned by Directors in the year and how the Directors' Remuneration Policy will be implemented for the 2021 financial year, will be subject to an advisory shareholder vote at this year's AGM on 25 May 2021.

This was a busy and challenging year for the Committee as we found ourselves in unprecedented times, due to the Covid-19 pandemic. Hospitality has been one of the hardest hit sectors. As a result, the Committee has dealt with some significant issues as we have sought to adapt the Company's remuneration decisions to the rapidly changing environment of Government lockdowns and a complex tiering structure, leaving many of our sites closed for dine-in throughout much of the year. Management moved rapidly to implement a series of actions to mitigate the substantial hit to sales, including a CVA of the Leisure division, a dramatic reduction to costs, including voluntary salary reductions and bonus waivers, renegotiation of terms with many of our suppliers, access to Government support, a significant reduction to capital expenditure and placing of shares to strengthen our liquidity. The key decisions on remuneration are outlined in more detail below.

Remuneration in 2020
The Company has been and continues to be significantly impacted by Covid-19, with much of our business closed from mid-March to early July 2020. The business partially reopened through offering delivery services and was gradually able to recommence the opening of our estate for dine-in within social distancing guidelines. Further restrictions in England, Wales, Scotland and Northern Ireland during the autumn months and the national lockdown in December (and again, from January 2021) also had, and continues to have, a significant impact on sales. During this time the Executive Directors and, indeed, the wider leadership team, adopted a responsible approach to remuneration to safeguard the business including:

- the Chief Executive Officer and Non-Executive Directors waived 40% of their salaries /fees from 1 April 2020; the Chief Financial Officer waived 20% from 1 April 2020;
- this waiver was aligned at 20% and extended on 1 July 2020 for all the board and continued for the rest of the year. These waivers will continue until 31 March 2021;
- it is worth noting that the Directors proactively volunteered these waivers which will have been in place for a full year before they end on 1 April 2021;
- the Committee exercised its discretion to cancel the 2020 LTIP grant proposed in last year's Directors' Remuneration Report ('DRR'), given the dramatic reaction of the share price due to Covid-19. The Board concluded that the priority at that time was to stabilise the Company before issuing any LTIP grants. No adjustments for Covid-19 were made to previous years' LTIP awards, resulting in them being very unlikely to vest in the future;
- the Committee exercised its discretion to resolve that no annual bonuses will be paid to the Executive Directors for 2020 and
- it is also important to note that the bonuses for 2019 approved and reported as payable in last year's DRR were also voluntarily waived by the Executive Directors and have been cancelled.

As a result, while these measures were important in the context of the lockdown and aligned with the outcome for both shareholders and our wider teams, they effectively meant that the Company's senior management was not subject to any retention or incentivisation mechanism.

Policy review
Our Directors' Remuneration Policy was due to expire in 2021 having originally been approved at the AGM held in May 2018 by over 99% of the shareholders voting. The Committee had intended to carry out a review of this Policy in 2020 and to propose a new Policy for approval at the next AGM in 2021. However, given the exceptional events of 2020 related to Covid-19, and our Long Term Incentive Plan ('LTIP') no longer being appropriate, the Committee decided to accelerate its review and recommended a new Directors' Remuneration Policy which was better aligned to the long-term interests of the Company and its shareholders.

The new Policy involved the replacement of the LTIP with a Restricted Share Plan (i.e. exchanging lower levels of grant for greater certainty of vesting with such awards not being subject to traditional performance conditions but still including robust underpins). As part of the new Policy, we also included the Committee's over-arching discretion to decide the level of vesting of the Restricted Shares, the introduction of post-cessation share ownership guidelines and the ability to set the appropriate grant level at the time of grant. While Restricted Shares exchange quantum for greater certainty of vesting (and therefore improve the retentive impact), the Committee and the whole Board are committed to avoiding payments for failure. Any vesting will be contingent on satisfaction of a discretionary underpin, assessed three years after grant, under which the Committee determines whether the vesting is appropriate in all the circumstances and, in particular, will have regard to the Company's and the participant's performance in the round. This will allow a broad assessment, including as to progress made in terms of financial performance and such other factors as the Committee may consider relevant, including as to various environmental, social and corporate governance factors.

In addition, for the 2020 grant, the Committee also committed that 50% of the Restricted Shares will only vest if the Company's EBITDA in FY22 is at least £100m (subject to adjustment for any acquisitions or disposals over the period). This is an underpin and not a forecast or performance target and ensures that there is a minimum EBITDA level below which 50% of the Restricted Shares will not vest.

While the on-going grant level for the Executive Directors is likely to be set at 100% of salary (representing a 50% discount to the previous LTIP level of 200%), given the circumstances including the Executive Directors' proactive stance on salary waivers and approved bonus waivers, and the absence of bonuses for 2020 and of any meaningful in-flight LTIP awards, it was decided that the 2020 grant to the two Executive Directors would be over shares worth 125% of salary.

Stakeholder engagement
The Committee reviewed all the various options over the summer of 2020 and consulted directly, in several cases extensively, with our 12 largest shareholders and the leading proxy advisory firms. Following those discussions, the Board of Directors believed that our executives could be best aligned with shareholders through restricted shares, which inherently provide an immediate and significant interest in the share price alongside our longer-term investors. The Board of Directors considered that the stability of a smaller fixed vesting level better supports the stewardship role of management in these potentially volatile circumstances, as the ultimate value received is dependent upon share price movement and, therefore, fully aligned with the shareholder experience, as well as supporting the Company's strategy.

General Meeting to approve new Policy and Restricted Share Plan
Our new Directors' Remuneration Policy and The Restaurant Group Restricted Share Plan ('RSP') were approved by ordinary resolution at a General Meeting on 8 October 2020.

It is recognised that a significant number of those shareholders voting (37%) did not support the proposals. The circumstances surrounding this year's award are exceptional and we have signalled our intention that the 2021 grant (due to be made in March/April 2021) will be at the lower level of 100% of salary using the 5-day average closing share price over the period immediately prior to grant, with this lower level intended for subsequent grants. We have and will continue to engage with our shareholders.

Directors' remuneration report continued

The Directors' Remuneration Policy report is detailed on page 62. The new Policy updates for developments in best practice, including the Committee's over-arching discretion to decide the level of vesting of the Restricted Shares and the introduction of post-cessation share ownership guidelines. The key changes are:

- a commitment to align pension rates for new Executive Directors;
- the introduction of a new Restricted Share Plan;
- an increase in the share ownership guideline to 250% and
- the introduction of post-cessation share ownership guidelines.

Remuneration for 2021

The Remuneration Committee continually reviews the Directors' Remuneration Policy to ensure it promotes the attraction, retention and incentivisation of high caliber executives to deliver the Group's strategy. It is equally important that the Policy reflects shareholders' views and the changing landscape in which the Group operates. Our planned policy review for 2021 was carried out in 2020.

The entire Board of Directors continue to voluntarily apply a 20% reduction to their salaries/fees until 31 March 2021.

The Committee has decided that in order to more closely align the central colleagues and Directors pay review date with the businesses they support, their awards will now be made in April.

As the business continues to be in lockdown, with no sites currently open for dine-in, and the relaxation of lockdown rules still in early stages with Government guidelines still emerging at the time of writing, the Committee has decided to agree the quantum of the award in April when there is less uncertainty and we will announce the decisions taken in next year's report.

The Non-Executive Directors have agreed to waive any fee increase for 2021 and therefore their fees will next be reviewed on 1 April 2022.

The Chief Executive Officer and Chief Financial Officer will be eligible for a maximum annual bonus for 2021 of 150% and 120% of salary respectively (subject to achievement of the relevant performance targets).

In March/April 2021, under the RSP, we intend to grant at the lower level of 100% of salary using the 5-day average closing share price over the period immediately prior to grant, with this lower level intended for subsequent grants.

I hope that you will agree with how we have dealt with executive remuneration in this tumultuous year and support the annual vote on this report.

Yours faithfully,

Zoe Morgan
Chairman of the Remuneration Committee

10 March 2021

Annual report on remuneration

Implementation of the Remuneration Policy for the 2021 financial year

Executive Directors' salaries for the 2020 financial year are set out below and will be subject to review in April:

Basic salary	2020[1]
Andy Hornby	£630,000
Kirk Davis	£362,342

1. The Executive Director salaries shown in the above table were subject to voluntary reductions from 1 April 2020 40% by the Andy Hornby and 20% by Kirk Davis, which was aligned at a 20% reduction for all of the Board from 1 July 2020.
2. In line with the rest of the Board, the Executive Directors will continue to waive 20% of their salaries for 2021 until 31 March 2021.
3. The salaries shown in the above table do not take into account the Executive Directors' voluntary salary waivers.

Restaurant management and general restaurant employees receive their pay award in April 2021 and, where applicable, the non-management increases will be aligned to the National Living Wage and the National Minimum Wage increases. The Committee is informed of the base pay review budget applicable to other employees and is aware of the treatment of National Living Wage and the National Minimum Wage.

The Committee has changed the date for the annual pay review for all head office colleagues, including the Executive Directors previously effective 1 January each year, to April 2021. This year with continued uncertainty regarding Government timelines, the awards will be reviewed on 1 April when the ongoing trading situation should be clearer.

Pension and benefits

Pension and benefits will continue to be provided in line with the stated policy. We note that some institutional investors favour alignment for incumbent Executive Directors. At the Company, the Chief Executive Officer receives no pension contribution and the Chief Financial Officer's contribution rate is set at 20% as negotiated on his recruitment. Any new Executive Directors will be aligned with the average for staff.

Performance targets for the annual bonus in 2021

For 2021, the annual bonus will again be based on a Group financial measure of 70% and a strategic KPI of 30% and capped at 150% and 120% of salary for the Chief Executive Officer and Chief Financial Officer respectively. The financial measure will be adjusted profit before tax (PBT). The Committee has chosen not to disclose, in advance, details of the strategic KPI for the forthcoming year or the PBT targets as these include items which the Committee considers commercially sensitive. However retrospective disclosure in respect of the 2021 targets will be provided in next year's report. Executive Directors are required to defer 50% of any bonus earned into share awards with a three-year vesting period under the Deferred Bonus Plan.

Directors’ remuneration report continued

Underpin for RSP awards to be granted in 2021

The RSP awards intended to be granted to each of the Executive Directors in April 2021 will be over shares equal to 100% of salary.

Awards granted in April 2021 will be subject to two underpin conditions as follows:

1. in respect of 100% of the Award, that the Group’s underlying performance and delivery against its strategy (which may change in response to cyclical and structural changes over time) is sufficient to justify the level of vesting having regard to such factors as the Committee considers to be appropriate in the round. In normal circumstances, such factors will include the Company’s financial performance, balance sheet strength, and performance against environmental, social and corporate governance priorities set by the Committee from time to time and
2. £100m EBITDA, 50% of the Restricted Shares will only vest if the Company’s EBITDA in FY23 is at least £100m (subject to adjustment for any acquisitions or disposals over the period).

We have disclosed the 2020 RSP underpin relating to the award made to the Chief Executive and Chief Financial Officer on page 56 of this report.

Non-Executive Directors

As detailed in the Remuneration Policy, the Company’s approach to setting Non-Executive Directors’ fees is by reference to fees paid at similarly sized companies and reflects the time commitment and responsibilities of each role. A summary of current fees is as follows:

	2020[1]	2021 (from 1 January)[2]	Increase[3]
Chairman	**£224,000**	£224,000	0%
Non-executive Directors’ base fee	**£56,200**	£56,200	0%
Committee Chair/ Senior Independent Director fee	**£10,000**	£10,000	0%

1 From 1 January 2020 or date of appointment. Note also that the Chairman and Non-Executive Director fees from 1 April 2020 were voluntarily reduced by 40% in light of the on-going Covid-19 pandemic, which was aligned at a 20% reduction for all of the Board from 1 July 2020.
2. In line with the rest of the Board, the Chairman and Non-Executive Directors continue to waive 20% of their fees until 31 March 2021.
3. The percentage increase shown in the above table does not take into account the voluntary salary waivers.

There will be no fee increase in 2021.

Remuneration received by Directors (audited)

The table below sets out the remuneration received by the Directors in relation to performance for the financial years ended 27 December 2020 and 29 December 2019. The table shows actual amounts after taking into account salary/fee waivers.

	Fixed pay				Performance-related pay					
£'000	Salary and fees	Taxable benefits[1]	Pensions[2]	**Sub-total**	Annual bonus[3]	SAYE Scheme[4]	LTIP[5]	RSP[5]	**Sub-total**	**Total[12]**
Debbie Hewitt										
2020	179	–	–	**179**	–	–	–	–	**–**	**179**
2019	219	–	–	**219**	–	–	–	–	**–**	**219**
Andy Hornby										
2020	504	10	–	**514**	–	4	–	–	**4**	**518**
2019	263	5	–	**268**	–	5	–	–	**5**	**273**
Kirk Davis										
2020	314	10	61	**385**	–	–	–	–	**–**	**385**
2019	362	11	73	**446**	–	5	–	–	**5**	**441**
Graham Clemett										
2020	54	–	–	**54**	–	–	–	–	**–**	**54**
2019	61	–	–	**61**	–	–	–	–	**–**	**61**
Zoe Morgan[6]										
2020	50	–	–	**50**	–	–	–	–	**–**	**50**
2019	–	–	–	**–**	–	–	–	–	**–**	**–**
Alison Digges[7]										
2020	45	–	–	**45**	–	–	–	–	**–**	**45**
2019	–	–	–	**–**	–	–	–	–	**–**	**–**
Former Directors										
Andy McCue[8]										
2020	62	–	–	**62**	–	–	–	–	**–**	**62**
2019	525	65	55	**645**	–	–	–	–	**–**	**645**
Allan Leighton[9]										
2020	45	–	–	**45**	–	–	–	–	**–**	**45**
2019	61	–	–	**61**	–	–	–	–	**–**	**61**
Mike Tye[10]										
2020	18	–	–	**18**	–	–	–	–	**–**	**18**
2019	61	–	–	**61**	–	–	–	–	**–**	**61**
Simon Cloke[11]										
2020	9	–	–	**9**	–	–	–	–	**–**	**9**
2019	58	–	–	**58**	–	–	–	–	**–**	**58**

1 Taxable benefits comprise car allowance (the car allowance is £12,000 per annum for the Chief Executive Officer and £10,000 per annum for the Chief Financial Officer) and healthcare. Car allowances were subject to a reduction in-line with the overall pay reductions further details can be found on page 48.
2 The pension payment to the Chief Financial Officer is a salary supplement in lieu of pension contributions. The Chief Executive Officer does not receive a pension allowance.
3 No bonus is payable for 2020. The 2019 report disclosed the intention to pay bonuses for 2019 which were waived. This amounts to £98,438 for the Chief Executive Officer and £108,630 for the Chief Financial Officer. This report therefore updates the 2019 bonuses to show them at zero.
4 The value for each Executive Director includes the intrinsic value of the options granted under the SAYE Scheme on 8 December 2020, being the difference between the option price (51.84 pence) and the average market value of the Company’s shares over the last quarter of the 2020 financial year (63.73 pence), multiplied by the number of option shares (34,722 shares). Further details of the SAYE Scheme options are disclosed on page 56.
5 No LTIP awards vested in the 2020 financial year. Details of the performance conditions applicable to their outstanding LTIP and RSP awards are set out on pages 55 and 56.
6 Zoe Morgan was appointed as a Non-Executive Director on 1 January 2020 and Chairman of the Remuneration Committee on 6 April 2020.
7 Alison Digges was appointed as a Non-Executive Director on 1 January 2020.
8 Andy McCue stepped down from the Board on 30 June 2019. Details of his termination arrangements are disclosed on page.
9 Allan Leighton resigned on 6 November 2020 and his remuneration is the amount earned up to that date.
10 Mike Tye resigned on 6 April 2020 and his remuneration is the amount earned up to that date.
11 Simon Cloke resigned on 29 February 2020 and his remuneration is the amount earned up to that date.
12 The aggregate emoluments (being salary/ fees, bonus, benefits and cash allowance in lieu of pension) of all Directors for the year ended 27 December 2020 was £1,365,346 (2019: £2,036,324).

Directors' remuneration report continued

Annual bonus payments for the year ended 27 December 2020 (audited)

The annual bonus for the 2020 financial year for the Chief Executive Officer and Chief Financial Officer was based on Adjusted PBT performance and a strategic measure based on net debt.

A maximum of 70% of the bonus (105% of salary and 84% of salary respectively) was payable for achievement against Group Adjusted PBT Targets:

	Group Adjusted PBT targets	CEO % of salary	CFO % of salary
< Threshold	£74.982m	0%	0%
Threshold (95% of budget)[1]	£74.982m	45%	36%
Target (budget)[1]	£78.928m	75%	60%
Maximum (102.5% of budget)[1]	£80.901m	105%	84%
Outcome (Loss)	£(87.456m)	0%	0%

A maximum of 30% of the bonus (45% of salary and 36% of salary respectively) was payable for achievement against a strategic measure based on net debt.

	Net Debt (with dividend/without dividend)	CEO % of salary	CFO % of salary
< Threshold	£290m/£270m	0%	0%
Threshold (95% of budget)[1]	£290m/£270m	22.5%	18%
Target (budget)[1]	£280m/£260m	37.5%	30%
Maximum (102.5% of budget)[1]	£275m/£255m	45%	36%
Outcome	£824m	0%	0%

1 Any bonus would be payable on a straight-line basis if achievement is between target and maximum pay-out.

Annual bonus payments

No annual bonuses will be paid to the Executive Directors for 2020.

Vesting of LTIP awards in 2020 financial year (audited)

No LTIP awards vested to Executive Directors in the year. The 2018 scheme has lapsed, with no element of vesting.

Outstanding share awards

The table below sets out details of Executive Directors' outstanding share awards (which will vest in future years, subject to performance and/or continued service).

Name of Director	Scheme	Granted	Exercised	Lapsed	Adjusted Awards As at 27 December 2020[4]	Exercise price	Date from which exercisable[2 3]	Expiry date
Andy Hornby	2019 LTIP	1,467,846	–	–	1,467,846	–	01.08.2022	6 months after vesting
	2020 RSP[1]	1,494,307	–	–	–	–	–	–
	2020 SAYE	34,722	–	–	34,722	51.84	01.02.2024	6 months after vesting
Kirk Davis	2018 LTIP[1]	206,203	–	–	282,343	–	19.03.2021	6 months after vesting
	2019 LTIP[1]	627,230	–	–	627,230	–	05.04.2022	6 months after vesting
	2020 RSP[1]	876,048	–	–	–	–	–	–

1 Details of the conditions applicable to the 2020 RSP awards can be found in the next section of this report. Details of the performance conditions for the 2019 LTIP can also be found on page 48 of last year's report).
2 A two year post vesting holding period applies to all net of tax shares (other than SAYE) together with a 250% of salary share ownership guideline. The requirement will continue to apply for 2 years post-cessation of employment (with such shares valued at the higher of the share price on departure and subsequently) unless the Committee exceptionally determines otherwise. To enforce such requirement, vestings from RSP awards will be lodged in escrow until sufficient shares are held.
3 Date from which first exercisable and expiration of the exercise period may be impacted if the Directors are prohibited from trading in the Company's shares at that time.
4 For LTIP awards from previous years, consistent with normal practice, the shares subject to outstanding awards granted before 26 November 2018 were adjusted in accordance with HMRC's standard TERPS formula. This reflects the discount to the then prevailing price at which new shares were offered to existing shareholders and therefore results in the same economic result for a participant as that of a shareholder participating in the rights issue. Where relevant, the base EPS figure for each award has been adjusted on a similar basis. No equivalent adjustment was made in respect of the 2020 private placing.

RSP awards granted during the year (audited)

During the year, the following RSP awards were granted to Executive Directors:

Executive	Type of award	Basis of award granted	Average share price at date of grant[1]	Number of shares over which award was granted	Face value of award (£)[1]	% of face value that would vest if the underpin conditions are not met	Date of award	Date of Vesting[2]
Andy Hornby	Nil-cost Option	125% of salary of £630,000	52.7p	1,494,307	£787,500	50%	12.10.2020	12.10.2023
Kirk Davis	Nil-cost Option	125% of salary of £369,342	52.7p	876,048	£461,678	50%	12.10.2020	12.10.2023

1 Based on the share price following the market update on 10th July 2020.
2 Vesting subject to underpin conditions detailed below. A two-year holding period applies to any shares vesting under the RSP awards.

Details of the two underpin conditions for the 2020 RSP awards are as follows:

Underpin	Weighting (% of total award)	Maximum (100% vesting)
The Group's underlying performance and delivery against its strategy (which may change in response to cyclical and structural changes over time) is sufficient to justify the level of vesting having regard to such factors as the Committee considers to be appropriate in the round. In normal circumstances, such factors will include the Company's financial performance, balance sheet strength, and performance against environmental, societal and corporate governance priorities set by the Committee from time to time.	100%	100%
EBITDA in FY2022 is at least £100 million (subject to adjustment for acquisitions or disposals)	50%	£100 million

Participation in the SAYE Scheme

The Executive Directors participate in the SAYE Scheme on the same terms as all other employees. Details of the Executive Directors' participation in the SAYE as follows:

Executive Director	Total SAYE awards at 29 December 2019	Awards granted	Exercise price (price)	Awards vested (number)	Awards exercised (number)	Awards lapsed (number)	Total SAYE awards at 27 December 2020	Earliest exercise date
Andy Hornby	15,968	34,722	51.84	–	–	15,968	34,722	1 February 2024
Kirk Davis	15,968	–	–	–	–	15,968	–	–

Payments on cessation of office (audited)

Andy McCue stepped down from the Board of Directors on 30 June 2019. In accordance with the terms of his service agreement and the Company's Directors' remuneration policy he received contractual payments which were detailed in full in the 2019 DRR. He continued to be paid his base salary for the remaining unworked notice period until 13 February 2020 and housing allowance until 31 July 2019.

Payments to former Directors' (audited)

Other than the payments made to Andy McCue, described above, no payments to former directors were made in respect of the 2020 financial year.

Statement of Directors' shareholdings and share interests (audited)

Director	Beneficially owned at 29 December 2019[7]	Beneficially owned at 27 December 2020[7]	Outstanding LTIP awards at 27 December 2020[1]	Outstanding RSP awards at 27 December 2020[1]	Maximum shares receivable under SAYE options at 27 December 2020	Shareholding % of salary at 27 December 2020	Guideline[8]
Debbie Hewitt	144,773	192,763	–	–	–	–	n/a
Andy Hornby	232,471	289,050	1,467,846	1,494,307	34,722	31%	250%
Kirk Davis	58,666	465,897	909,573	876,048	–	85%	250%
Graham Clemett	34,755	44,755	–	–	–	–	n/a
Zoe Morgan[2]	0	31,680	–	–	–	–	n/a
Alison Digges[2]	0	4,536	–	–	–	–	n/a
Past Directors							
Andy McCue[3]	329,010	–	–	–	–	–	n/a
Allan Leighton[4]	0	0	–	–	–	–	n/a
Mike Tye[5]	17,805	35,305	–	–	–	–	n/a
Simon Cloke[6]	17,111	17,111	–	–	–	–	n/a

1. Further details of outstanding share awards are disclosed on page 55.
2. Appointment 1 January 2020
3. As at 30 June 2019, his termination date.
4. As at 6 November 2020, his termination date.
5. As at 6 April 2020, his termination date.
6. As at 29 February 2020, his termination date.
7. Beneficial interests include shares held by directly or indirectly connected persons.
8. Shareholding guideline increased to 250% following approval of the new Directors' Remuneration Policy on 8 October 2020.

The Chief Executive Officer and Chief Financial Officer are each required to build a holding of shares in the Company worth 250% of salary, over a period of time. For legacy LTIP and RSP awards, Andy Hornby and Kirk Davis must retain no fewer than 50% of the shares, net of taxes, vesting under the awards until the required shareholding is achieved. The requirement will continue to apply for 2 years post-cessation of employment (with such shares valued at the higher of the share price on departure and subsequently) unless the Committee exceptionally determines otherwise.

On 27 February 2020, Andy Hornby bought 46,579 shares in the Company. Kirk Davis bought an additional 90,343 shares on 26 February 2020 and 276,797 shares on 30 March 2020. Furthermore, Andy Hornby subscribed for an additional 10,000 shares and Kirk Davis an additional 40,000 shares on 8 April 2020 concurrently with the Placing of new ordinary shares in the capital of the Company. As part of the Company's all-employee Save As You Earn share scheme, Andy Hornby subscribed for 34,722 options over ordinary shares at an option price of 51.84 pence per share on 8 December 2020.

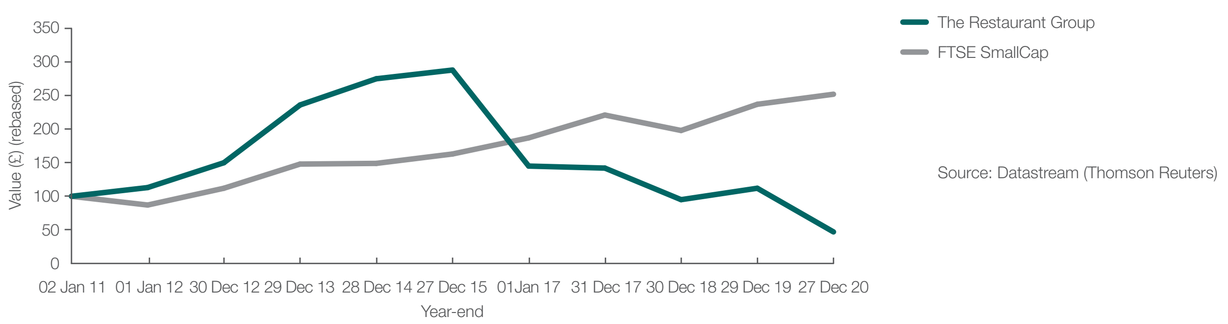
As at the date this report was approved by the Board, there have been no changes in respect of the numbers of shares presented in the table above.

Directors' remuneration report continued

Performance graph and Chief Executive Officer pay

The graph below compares the Company's TSR performance and that of the FTSE Small Cap Index over the past ten years, all rebased from 100. This graph shows the value, by 27 December 2020, of £100 invested in The Restaurant Group plc on 27 December 2010 compared with the value of £100 invested in the FTSE Small Cap Index. On this basis the value, as at 27 December 2020, of £100 invested is as follows:

Total shareholder return



£'000	Andrew Page 2011	Andrew Page 2012	Andrew Page 2013	Andrew Page 2014 to 30.08.2014	Danny Breithaupt 2014 from 01.09.2014	Danny Breithaupt 2015	Danny Breithaupt 2016 to 12.08.2016	Andy McCue 19.09.2016 to 01.01.2017	Andy McCue 2017	Andy McCue 2018	Andy McCue 2019 to 30.06.2019	Andy Hornby 01.08.2019 to 29.12.2019	Andy Hornby to 2020
Total remuneration	4,241	3,070	3,840	4,559	913	1,429	387	242	1,116	730	645	371	518
Annual bonus[1]	86%	100%	100%	75%	75%	69%	0%	20%	52%	0%	0%	0%[2]	0%
Annual LTIP vesting[1]	100%	82%	93%	100%	94%	93%	–	–	n/a	n/a	0%	0%	0%

1 As a percentage of maximum.
2 The bonus as reported in the 2019 DRR was not paid. The bonus has been amended from 25% as reported last year to 0% in the above table with a resulting reduction in the total remuneration figure.

Percentage change in Directors' remuneration

The table below shows the percentage change in the Directors' salary, benefits and annual bonus between the financial year ended 27 December 2020 and 30 December 2019.

	Salary change[1]	Benefits change[1]	Bonus change[2]
Andy Hornby	-21%	-19%	0%
Kirk Davis	-13%	-14%	0%
Debbie Hewitt	-18%	–	–
Graham Clemett	-12%	–	–
Zoe Morgan	n/a	–	–
Alison Digges	n/a	–	–
Alan Leighton	-14%	–	–
Mike Tye	6%	–	–
Simon Cloke	-5%	–	–

1 Directors' salaries and fees take into account the voluntary waivers applied during 2020.
2 Bonus change is calculated vs the prior year. The bonus as reported in the 2019 DRR was not paid and no bonus is payable for 2020.
3 We have not provided a comparison with all employees in the above table. No such comparison is required as the regulations refer to employees of the parent company which is not a direct employer. Calculating the precise percentage change for all Group employees this year was complicated given the impact of Covid-19. Due to the effects of the pandemic and Government restrictions on the hospitality industry, over 95% of colleagues were on furlough for significant periods in 2020, during which most received 80% of their regular wages and also did not benefit from overtime or tips from customers. As a result, overall their remuneration fell by a similar percentage to that indicated above for the Executive Directors. In future years, we intend to include a comparison with all employees.

Chief Executive Officer to employee pay ratio

The table below shows how the CEO's single figure remuneration taking into account the voluntary pay reduction throughout 2020 (as taken from the single figure remuneration table on page 53) compares to equivalent single figure remuneration for full-time equivalent UK employees, ranked at the 25th, 50th and 75th percentile.

Financial year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2019	Option A	38 : 1	33 : 1	28 : 1
2020	Option A	23 : 1	23 : 1	20 : 1

Notes to the CEO to employee pay ratio:

1. The Committee notes the general preference of institutional shareholders for companies to use statutory Method A and prepared the calculations on that basis. For 2020, given the mandatory shutdown of our restaurants and pubs at various times due to Covid-19, Option A includes over 12,000 employees who were placed on furlough under the Coronavirus Job Retention Scheme (CJRS) scheme during the year. The CEO's remuneration takes into account the CEO's waiver of salary during 2020 (40% from 1 April 2020 to 30 June 2020 and 20% thereafter).
2. The CEO's remuneration has been adjusted to reflect the waiver/non-payment of the 2019 bonus.
3. Employee pay data is based on full time equivalent pay for UK employees as at 27 December 2020. For each employee, total pay is calculated in line with the single figure methodology.
4. Chief Executive Officer pay is as per the single total figure of remuneration for 2020, as disclosed on page 53.
5. No calculation adjustments or assumptions have been made.
6. The Committee has considered the pay data for the three individuals identified for 2020 and believes that it fairly reflects pay at the relevant quartiles among the UK employee population.

7. The Committee believes the median pay ratio for 2020 to be consistent with the pay, reward and progression policies for the UK employees taken as a whole because the majority of our employees are based in our restaurants and pubs and there is a high level of consistency in terms and conditions with structured pay bands. During 2020, our team members would have been in receipt of furlough payments due restaurant closures and reduced trading, this will impact how the earnings levels compare to 2019.
8. Any employee who worked less than full time hours was factored up using the full time contracted hours for the role to calculate their FTE to allow a like-for-like comparison and does not take into account the effect of furlough arrangements on the relevant employee's pay.
9. For 2019, as required by the reporting regulations, the figures above reflect the pay and benefits of the two individuals who undertook the CEO role during the year (Andy Hornby and Andy McCue). Accordingly, the CEO data reflects only 11 months of a CEO within role.
10. For 2020, the CEO ratio does not represent a typical year – our employees will have had periods of furlough and flexible furlough during the course of the year. The Chief Executive Officer waived 40% of pay from April to the end of June and 20% from July to December.

The total pay and benefits and the salary component of total pay and benefits for the employee at each of the 25th percentile, the median and the 75th percentile are shown below:

	Salary			Total pay and benefits		
Year	25th percentile	Median	75th percentile	25th percentile	Median	75th percentile
2019	£23,550	£27,003	£31,846	£23,985	£27,597	£32,546
2020	£21,765	£22,389	£24,960	£22,318	£22,649	£25,578

Relative importance of spend on pay

The following table shows the Company's actual spend on pay (for all employees) relative to dividends.

£m	2019	2020	% change
Staff costs[1]	392.7	**187.7**	(52%)
Dividends[2]	10.3	**–**	(100%)
(Loss)/Profit for the year[2]	58.3	**(75.5)**	(230%)

1 Note 5 in the financial statements. The change reflects the addition of Wagamama to the group and the like-for-like equivalent is (8.3%). 2020 figures are shown gross including the furlough costs.
2 Dividends and profit for the financial year are as reported for the trading business and exclude any exceptional items.

Appointments outside the Group

Executive Directors are entitled to accept appointments outside the Company or Group (subject to Board approval); and there is no requirement for Directors to remit any fees to The Restaurant Group plc. Neither of the Executive Directors currently has any outside directorships.

Additional information

Andy Hornby and Kirk Davis both have a service contract with an indefinite term which is subject to twelve months' notice by either party. In respect of both the Chief Executive Officer and the Chief Financial Officer, in the event of early termination by the Company, the Company shall make a payment in lieu of notice equivalent to twelve months of base salary only. There are no provisions in respect of change of control within either contract.

Consideration by the Directors of matters relating to Directors' remuneration

The Committee is constituted in accordance with the recommendations of the UK Corporate Governance Code and comprises three independent Non-Executive Directors in addition to the Company Chairman. Zoe Morgan and Alison Digges were appointed from January 2020 and became members of the Committee thus ensuring full compliance with the Code requirement. Zoe Morgan became the Committee Chairman from April 2020 following the resignation of Mike Tye. None of the Committee has any personal financial interest in the Company (other than as shareholders).

The Committee makes recommendations to the Board. No Director is involved in any decisions about his or her own remuneration. In determining the Executive Directors' remuneration for the year, the Committee consults the Non-Executive Chairman about its proposals. In determining the Company Chairman's fees, the Committee (excluding the Company Chairman) consults with the Chief Executive and the Senior Independent Director. The Board (including the Company Chairman but excluding the Non-Executive Directors) determines the Non-Executive Directors' fees.

Where relevant, the Executive Directors and Company Secretary are invited to attend meetings of the Committee, except when their own remuneration is being directly discussed. The Committee met ten times during the year.

The Committee has formal terms of reference which can be viewed on the Company's website.

FIT Remuneration Consultants (FIT), were appointed by the Committee and have acted as its independent advisers since December 2018. FIT provide services encompassing all elements of the remuneration packages and do not provide any other services to the Group during the year. Total fees paid to FIT in respect of its services in 2020 were £49,976 plus VAT (2019: £50,816).

FIT is a signatory to the Remuneration Consultants' Code of Conduct. The Committee has reviewed the operating processes in place at FIT and is satisfied that the advice that it receives is objective and independent and uses its judgment when assessing any advice provided.

Statement of shareholder voting

The Directors' remuneration report received the following votes from shareholders at the last AGM, held on 19 May 2020:

Directors' remuneration report		
Votes cast in favour	420,121,3204	90.19%
Votes cast against	45,672,479	9.81%
Total votes cast	465,793,799	–
Votes withheld	25,176	–

The new Directors' Remuneration Policy was last put to shareholders at the General Meeting held on 8 October 2020 on a binding basis. The voting outcomes were as follows:

Directors' remuneration policy		
Votes cast in favour	301,883,862	63.17%
Votes cast against	175,972,938	36.83%
Total votes cast	477,856,800	–
Votes withheld	8,310,903	–

Directors' Remuneration Policy report

This report sets out the main table from the Policy Report approved by shareholders at the General Meeting held on 8 October 2020. All other information relating to the policy including the various scenario charts are contained in the Notice of GM dated 21 September 2020 available on our website.

	Purpose and link to strategy	Operation	Opportunity	Performance metrics
Basic salary	Attract and retain key personnel of the right calibre. Reflects individual responsibilities, skills and achievement of objectives.	Salary levels (and subsequent increases) are set based on role, experience, performance and consideration of the general workforce pay review and competitor pay levels. Salaries are paid monthly. Normally reviewed annually with any changes taking effect from 1 January or when an individual changes position or responsibility.	No prescribed maximum annual increase. The Committee is guided by the general increase for the Company's general workforce, but on occasions may need to recognise, for example, an increase in the scale, scope or responsibility of the role.	None.
Benefits	To provide market consistent benefits.	Benefits packages typically comprise a car (or car allowance), health insurance, and life assurance although other benefits may be provided where appropriate, including relocation and expatriation expenses as outlined on page 53 of this report.	No maximum limit.	None.
Pensions	Rewards sustained contribution.	Contribution to a personal pension plan (no defined benefit schemes operate) and/or a salary supplement (e.g. where HMRC limits would be exceeded). Going forwards, new recruits will receive no more than the rate from time to time applicable to the majority of staff.	Up to 20% of base salary for incumbents. New Executive Directors will receive no more than the rate from time to time available to the majority of staff.	None.

	Purpose and link to strategy	Operation	Opportunity	Performance metrics
Annual bonus	Rewards the achievement of annual financial targets and other key performance indicators, depending on job responsibilities, which are aligned to the strategic needs of the business.	Bonus level is determined by the Committee after the year-end based on performance conditions typically drawn up at the start of the financial year. 50% of any bonus is payable in cash. 50% of any bonus is deferred in shares or nil-cost options with awards normally vesting after a three-year period. Not pensionable. A malus and clawback mechanism operates. The Committee has the authority to apply a malus adjustment to all, or a portion of, an outstanding award in specific circumstances. The Committee also has the authority to recover (clawback) all, or a portion of, amounts already paid in specific circumstances and within a defined timeframe. These provisions apply to both the cash and deferred elements of the annual bonus.	Maximum of 150% of base salary.	Normally based on a one year performance period. The annual bonus is subject to the achievement of stretching performance measures. Financial measures will account for the majority, normally based on Group Adjusted profit before tax or an alternative profit measure. The Committee may vary the metrics and weightings from year to year according to Group strategy. The Committee retains the ability to override the out-turn to reduce such payment if it does not consider the out-turn to be appropriate in all the circumstances.

	Purpose and link to strategy	Operation	Opportunity	Performance metrics
Restricted Share Plan (RSP)	Promotes achievement of long-term strategic objectives of increasing shareholder value and aligning the interests of participants with those of long-term shareholders.	Annual grant of Conditional Awards calculated as a proportion of base salary. The 2020 grant will be calculated using a share price of 52.7p (being the prevailing price on the date of the last market update prior to consulting with shareholders on the RSP). Subsequent grants will use the price prevailing at or shortly prior to grant (typically based on a 5-day average). A malus and clawback mechanism operates. The Committee has the authority to apply this mechanism if, in the opinion of the Committee, any of the following has occurred: • a material misstatement of the Company's results; • an error is made in any calculation or assessment in relation to an award; • gross misconduct by a participant; • any other adverse circumstances materially impacting the reputation of the Group or • an insolvency of the Company.	Maximum of 125% of salary	The level of vesting will be dependent upon the Committee confirming whether any underpin has been met as at the third anniversary of grant. All awards to Executive Directors will be subject to the underpin that the Committee is satisfied that the Award should vest and may be reduced if it feels that there has been unsatisfactory financial, personal or other performance over the period. In addition, grants in 2020 will be subject to the additional requirement, in respect of 50% of the award, that EBITDA in 2022 is at least £100m (with EBITDA assessed by the Committee and adjusted for acquisitions and disposals).
Save As You Earn scheme (SAYE)	Encourages employee share ownership and therefore increases alignment with shareholders.	HMRC approved plan under which eligible employees are able to purchase shares under a three-year savings contract at a discount of up to 20% of market value at grant. Provides tax advantages to UK employees.	Prevailing HMRC limits.	None.

	Purpose and link to strategy	Operation	Opportunity	Performance metrics
Shareholding guidelines	Increase alignment with shareholders.	Executive Directors must build up and maintain a shareholding equivalent to 250% of base salary. Requirement to retain no fewer than 50% of the net of tax shares vesting under an RSP (or legacy LTIP) award until the required shareholding is achieved. The requirement will continue to apply for 2 years post-cessation of employment (with such shares valued at the higher of the share price on departure and subsequently) unless the Committee exceptionally determines otherwise. To enforce such requirement, vestings from RSP awards will be lodged in escrow until sufficient shares are held.	N/A	None.
Non-executive Directors' fees	Attract and retain a high-calibre Chairman and Non-Executive Directors by offering market-competitive fee levels. Reflects fees paid by similarly sized companies. Reflects time commitments and responsibilities of each role.	Fees are normally reviewed annually. Fees are paid in cash. Chairman is paid a single fee. Non-Executive Directors are paid a base fee. A Committee Chair fee and a Senior Independent Director fee is payable to reflect additional responsibility. The Chairman and the Non-Executive Directors are entitled to reimbursement of reasonable expenses including any tax due on such payments. They may also receive limited travel or accommodation-related benefits in connection with their role as a Director.	The Group's Articles of Association place a limit on the aggregate annual fees of the Non-Executive Directors of £650,000. As per Executive Directors, there is no prescribed maximum annual increase. The Committee is guided by the general increase in the Non-Executive Director market and for the broader UK employee population but on occasion may need to recognise, for example, an increase in the scale, scope or responsibility of the role.	None.

This report was approved by the Board of Directors and signed on its behalf by:

Zoe Morgan
Chairman of the Remuneration Committee

10 March 2021

Directors' report

The Directors present their annual report together with the audited financial statements of the Company and the Group for the year ended 27 December 2020 with comparative information for the year ended 29 December 2019.

The Directors' report comprises these pages 66 to 68 and the other sections and pages of the Annual Report and Accounts cross-referred to below, which are incorporated by reference. As permitted by legislation, certain disclosures normally included in the Directors' report have instead been integrated into the Strategic report (pages 04 to 27).

Results and dividends

The results for the year are set out in the consolidated income statement on page 83. This shows a Group Adjusted loss after tax of £87.5m (2019: profit of £58.3m). After charging exceptional items, the Group recorded a statutory loss after tax of £75.5m (2019: loss after tax of £40.4m).

The closing mid-market price of the ordinary shares on 24 December 2020 (the last trading day before 27 December 2020) was 67.3p and the range during the financial year was 20.3p to 167.7p.

For more information on the Company's dividends, see Note 10 on page 113 and the Directors have currently suspended payment of dividends.

For definitions of the Adjusted Performance Metrics used by the Group and how these reconcile to statutory measures, see the glossary on page 143.

Directors and Directors' interests

The names of all persons who were Directors of the Company during the year can be found on page 30. Directors' interests in the shares of the Company can be found on page 57.

Directors' and officers' liability ('D&O') insurance and indemnities

The Company maintains directors' and officers' liability insurance. Details of the D&O insurance maintained by the Company can be found on page 32. Deeds were executed in 2019 indemnifying each of the Directors of the Company as a supplement to the D&O insurance cover. Similar deeds have been executed for Directors who joined since that date and for Directors of subsidiary companies. The indemnities, which constitute a qualifying third-party indemnity provision as defined by section 234 of the Companies Act 2006, were in force during the 2020 financial year and remain in force for all current and past Directors of the Company from 2019.

Articles

The Company's Articles may only be amended by special resolution and are available on the Company's website at www.trgplc.com/investors/corporate-governance.

Greenhouse gas reporting

The disclosures concerning greenhouse gas emissions are included in the Corporate social responsibility report on page 25.

Disabled employees

The Company's policy towards disabled employees is included in the Corporate social responsibility report on page 22.

Employee participation

The action taken during the year in relation to employee participation is included in the Corporate social responsibility report on pages 20 to 27.

Employee benefit trust (EBT) and share awards

Details of the Company's EBT arrangements can be found on page 124 (note 22). Dividends on shares held by the EBT are waived.

The Company has an all employee Save As You Earn scheme and a Long-Term Incentive scheme. Details of share-based payments during the year can be found on pages 125 to 127 (note 23).

Substantial shareholdings

Details of substantial shareholdings can be found on page 37.

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while looking to maximise returns to shareholders. The capital structure of the Group consists of equity (comprising issued share capital, other reserves and retained earnings), borrowings and cash and cash equivalents. The Group monitors its capital structure on a regular basis through cash flow projections and consideration of the cost of financing its capital.

The Group is normally subject to externally imposed capital requirements in respect of its bank loan. The Group is required to maintain a required net debt to EBITDA ratio and EBITDA to net interest charge ratio. However, due to the unprecedented impact of Covid-19 on the financial performance of the business, the Group has received covenant waivers from its lending group from June 2020 to September 2021. Due to the re-financing, these covenants will not be tested again and will be replaced by the covenants on the new debt facilities, as described below. The Group is subject to a minimum liquidity requirement of £50m instead. The revised requirement is monitored as part of the Group's capital management process.

On 1 March 2021, the Group announced the refinancing of the business, details of this are below.

Details of the Company's share capital structure can be found on page 36.

Financial instruments and financial risk management

The Group's policy on the use of financial instruments is set out in note 27 to the financial statements. The Group's financial instruments and financial risk management are set out in note 27 to the financial statements.

Significant agreements and change of control provisions

The Group has total banking facilities of £245m. This is broken down as follows:

- Revolving Credit Facility (RCF) of £160m in place until June 2022
- CLBILS loan of £50m in place until June 2022; and
- A Super Senior RCF to the Wagamama bond of £35m, which reduces to £20m in June 2021 and expires in December 2021.

In addition, the Group has a high-yield bond of £225m repayable in July 2022. Both are subject to change of control provisions.

The margin (on interest rates) applied to the revolving credit facility is dependent on the ratio of net debt to EBITDA. The banking facility covenants are normally tested twice a year but were removed in 2020 and instead the Group has been subject to a minimum liquidity requirement of £50m. The Group remained within its banking facility requirements throughout 2020.

On 1 March 2021, the Group announced it had successfully signed commitments in relation to £500 million of new debt facilities, which comprises a £380 million Term Loan Facility, and a £120 million Super Senior Revolving Credit Facility. The New Facilities provide the Group with enhanced liquidity and long-term financing with the maturities of the Term Loan and the RCF being in 2026 and 2025, respectively.

Following the utilisation of the new facilities, the Group's financing arrangements will be simplified, as the Group will be consolidated into one finance group at the TRG level which will provide a more efficient funding structure to support the Group's strategic initiatives.

The New Facilities covenant package provides significant covenant headroom for an extended period. In particular, the Group shall be subject only to a minimum liquidity covenant set at £40m (versus £50m under the existing RCF) until 31 December 2022. The RCF commences leverage testing on 30 June 2022, and the term loan on 31 December 2022. There shall be no net leverage-based testing under the Term Loan until the period ending 31 December 2022 at which point the Group's net leverage covenant (as measured on a pre-IFRS 16 basis) shall be set at 5.0x before decreasing every six months to 4.0x by the period ending 31 December 2023 and thereafter.

Both the Term Loan and the RCF are subject to a margin ratchet which allows the Group's cost of debt to decrease according to prevailing net leverage (defined as pre IFRS 16 net debt/EBITDA). For illustrative purposes the initial weighted average cost of debt is expected to be approximately 7.0%, which would fall to approximately 6.0% were net leverage to go below 2.0x (defined as pre IFRS 16 net debt/EBITDA). In addition, whilst the term Loan contains no contractual amortisation repayments, it provides flexibility to allow the Group to prepay the facility if desirable, with a significant proportion of the facility able to be prepaid without penalty in the 18 months following the initial drawdown.

The Group has entered into various contracts, including leases, during the course of ordinary business, some of which may be terminated in the event of a change of control of the Company.

Corporate governance

The Company's statement on corporate governance can be found in the Corporate Governance report on pages 28 to 39 of these financial statements. The Corporate Governance report forms part of this Directors' report and is incorporated into it by cross-reference.

Disclosure of information to the external auditor

In the case of each of the persons who are Directors at the time the report is approved, the following applies:

- as far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all of the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Going concern

The Strategic report contains a summary of the cash flow and borrowing position of the Group on page 14. As noted above the Group has total debt facilities of £470m. At year-end the Group had pre-IFRS 16 net debt of £340.4m, with cash headroom of over £127.1m.

Information on the Group's policies for capital risk management and financial risk management are set out above. The principal risk factors and uncertainties that could affect the business are detailed on page 70.

The Financial Review and Note 1 to the Financial Statements provide a full review of the Going Concern assessment, and the process undertaken to assess Going Concern. In summary, the Directors have concluded that the conditionality of the capital raise, requiring shareholder approval, represents a material uncertainty to the Directors' going concern assessment. Management has conducted a number of pre-marketing meetings with investors covering over 50% of the share register and expects to receive shareholder approval for the equity raise at the forthcoming General Meeting. However, this is not guaranteed, and the vote may not pass. The Board is confident that shareholder approval will be obtained and therefore has a reasonable expectation that the Group has adequate resources to continue in operational existence for the period to 31 March 2022, being at least the next twelve months from the date of approval of the Annual Report and Accounts. On this basis, the Directors continue to adopt the going concern basis in preparing these accounts. Accordingly, these accounts do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Group were unable to continue as a going concern.

By order of the Board

Kirk Davis
Chief Financial Officer

10 March 2021

Senior Management Risk Committee

The Committee held three meetings in 2020.

Membership

The Committee's membership comprises the Chief Financial Officer and not less than three other members of the senior management team. It currently includes the Company Secretary, the Group Finance Director, the Chief Information Officer, the Group People Director, the Group Purchasing Director, the Group Property Director and Head of Technical Safety. In addition, employees from across the business attend Committee meetings by invitation in order to assist the Committee in discharging its duties.

Board

Overall responsibility for risk management

The Board has ultimate responsibility for ensuring business risks are effectively managed.

Audit Committee

Delegated responsibility with regular review of risk management procedures

The Board has delegated regular review of the risk management procedures to the Audit Committee and collectively reviews the overall risk environment on an annual basis.

Risk Committee

Responsibility, review and management of individual business risks; aggregation of Group risk register

The Risk Committee is responsible for governance over the Company's risk management processes, monitoring and assessing the effectiveness of the internal financial controls and risk management systems and reporting on risk management and risk exposures.

The Risk Committee is chaired by the Chief Financial Officer and is normally required to meet at least four times a year. However, given the emerging risks relating to Covid-19 during 2020 the Committee only formally met on three occasions. In 2020, the Group risks were proactively managed through a weekly meeting established to guide the Group through the pandemic. A risk report is tabled at the subsequent Audit Committee meeting and the Chief Financial Officer reports to the Audit Committee on the Committee's proceedings.

Risk management process

Each business unit or functional area of the Group is responsible for identifying and assessing its risks at least quarterly. This process identifies the gross risk, the likelihood of occurrence, mitigating controls in place and the potential impact on the Group. The Risk Committee formally reviews the divisional/functional risk registers to form the consolidated view of the Group's principal risks.

Given that some risks are external and not fully within our control, the risk management processes are designed to manage risks, so far as commercially possible, which may have a material impact on our business, rather than to fully mitigate all risks.

Risk appetite

The UK Corporate Governance Code (2018) requires companies to determine their risk appetite in terms of the nature and extent of the principal risks faced and those they are willing to take in achieving strategic objectives. The Board regularly assesses the risks faced by the business and consider these when setting the business model and strategic objectives for the Group to ensure the business operates within appropriate risk parameters.

Emerging risk

The Committee also reviews emerging risks, such as the coronavirus outbreak, to ensure that appropriate steps are taken at the right time.

Principal risk factors

Set out below is a list of what the Directors, in conjunction with the Risk Committee, consider to be the current principal risks of the Group together with the mitigation plans and risk management strategy. This list is not presumed to be exhaustive and is, by its very nature, subject to change.

Senior Management Risk Committee continued

Risk	Mitigating factors
Covid-19 (risk of further waves) • Risk of extensive local lockdowns or national lockdown due to Government action.	• Operational processes developed and rolled out to react to any Covid-19 infections among team members. • Sites amended to become Covid-safe with additional signage, PPE and enhanced cleaning procedures. • High-level plans in place should local or national closure be required. • Significant cash facilities available to support during any national lockdown.
Refinancing of Group debt • Risk of failure to successfully refinance Group debt before expiry in June 2022 which would compromise the financial position of the Group.	• Debt advisor appointed to support refinancing plans. • Refinancing completed for £500m of new debt facilities that will be drawn no later than 31 May 2021.
Allergens • Risk of guests suffering from failure to deliver our allergens policies and procedures, or inaccurate or insufficient information provided to guests concerning allergens.	• Clear Allergen policies and procedures established across all business operations. • Detailed database built up by ingredient/supplier and testing of database including physical verification. • Allergen training refreshed as part of the reopening training and completed by all restaurant employees across all businesses. • Allergy advice on menus with daily updates to source data.
Talent attraction and retention • Failure to attract, retain, or develop Chefs, GMs, and senior managers.	• Implementation of a new recruitment process to ensure the quality of hiring is improved. • Continued improvement of onboarding and induction process focused on the first 90 days of employment to improve employee engagement.
Supply chain management • Risk of loss of key suppliers, jeopardising supply and availability. • Risk that the distribution network is unable to meet the demands of our restaurants.	• All essential products are dual sourced. • Regular monitoring of all logistics partners and key suppliers to monitor performance. • Proactive contractor performance management reviews. • Supply contracts in place with all key suppliers for a minimum of 24 months. • Regular supplier visits by Group Technical and Buying teams to check operations and procedures. • Random DNA checks carried out on a monthly basis with all processed products checked a minimum of once per year.
Brexit risk to supply chain • Risk of product shortages and/or delays causing loss of revenue, customer's satisfaction and reputation.	• Contingency plans in place for supply chain and suppliers. • Plans developed with our supply partners to increase stock holdings for key product lines to provide between one to three months contingency where practical. • Dual sourcing of all key products and identification of substitute ingredients on key dishes to manage potential short-term availability issue. • Suppliers have plans in place to protect availability in the short term.
Cybersecurity • Risk of cybersecurity failure or incident leading to data loss, disruption of services, fines and trading or reputational damage.	• Payment Card Industry Data Security Standard (PCI DSS) v3.2 annual compliance certification process. • ASV scans and penetration tests, and remediation.

Directors' responsibility statements

Financial statements and accounting records

The Directors are responsible for preparing the Annual Report and Accounts in accordance with applicable law and regulations. Company law requires the Directors to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101'). Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in international financial reporting standards (IFRSs) adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

In preparing the Parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure and Transparency Rules

The Board confirms that to the best of its knowledge:

- the financial statements, prepared in accordance with the IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

UK Corporate Governance Code

The Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the necessary information for shareholders to assess the Company's performance, business model and strategy.

For and on behalf of the Board.

Andy Hornby
Chief Executive Officer

10 March 2021

Kirk Davis
Chief Financial Officer

10 March 2021

Independent auditor's report

to the members of The Restaurant Group plc

Opinion

In our opinion:

- The Restaurant Group plc's group financial statements and parent company financial statements (the 'financial statements') give a true and fair view of the state of the group's and of the parent company's affairs as at 27 December 2020 and of the group's loss for the period then ended;
- the group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of The Restaurant Group plc (the 'parent company') and its subsidiaries (the 'group') for the period ended 27 December 2020 which comprise:

Group	Parent company
Consolidated balance sheet as at 27 December 2020	Balance sheet as at 27 December 2020
Consolidated income statement for the period then ended	Statement of changes in equity for the year then ended
Consolidated statement of changes in equity for the period then ended	Related to notes 1 to 6 to the financial statements including a summary of significant accounting policies
Consolidated statement of cash flows for the period then ended	
Related notes 1 to 32 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 in the financial statements, which indicates that the ability of the group and company to continue as a going concern is subject to a material uncertainty in relation to the capital raise, which is conditional on shareholder approval. As stated in note 1, this represents a material uncertainty that may cast significant doubt on the group and parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

We draw attention to the viability statement in the Annual Report on page 16, where the viability statement is made on the assumption that the same capital raise is successful. The Directors consider that the material uncertainty referred to in respect of going concern may cast significant doubt over the future viability of the group and company should the capital raise not complete. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included the following:

- We assessed the risk around going concern at the interim review and again at the planning and year-end phases of the audit.
- We confirmed our understanding of the group's going concern assessment process as well as the review process over the going concern model and management's related Board memoranda.
- The audit engagement partner increased his time directing and supervising the audit procedures on going concern and utilised corporate finance specialists to assist in assessing the integrity of the model and the assumptions employed.
- We discussed with management and its advisers the prospect of the capital raise being supported by sufficient shareholders and reviewed the relevant underwriting terms.
- We obtained draft and final copies of funding agreements and agreed the terms to the going concern model.
- We assessed the adequacy of the going concern review period to the end of March 2022, considering whether any events or conditions foreseeable after the period indicated a longer review period would be appropriate.
- We obtained cash flow forecast models used by the Board in its assessment, checked their arithmetical accuracy and assessed the group's historical forecasting accuracy to determine if it was sufficient for the going concern assessment.
- We considered the adequacy of liquidity headroom as per the base and stress case forecasts and applied a sensitivity analysis.
- We challenged the support for the level of government assistance included in the projections and agreed this to government announcements or applied a downside sensitivity where these were not announced.
- We assessed the group's forecast banking covenant compliance and other obligations through to the end of the review period.
- With the assistance of our economics modelling team we assessed whether the assumptions included within the base and stress cases over the duration of national lockdown and subsequent restrictions, and trading recovery, were within a reasonable range.
- We considered for management's stress case whether the downside risks modelled were sufficiently severe in the context of the government's announcements on the roadmap and related assistance for the hospitality sector, and our economic forecasting team's views.
- We considered management's reverse stress test which breached liquidity and covenant headroom, specifically whether these scenarios had a remote possibility of occurring.
- We assessed management's ability to execute feasible mitigating actions available to respond to the downside scenario based on our understanding of the group and sector.
- We assessed the appropriateness of the going concern disclosures in describing the risks associated with the group's ability to continue as a going concern for the review period to the end of March 2022.

Independent auditor's report continued

We reported to the Audit Committee that we had successfully performed the above procedures. In addition, we highlighted that the assessment of going concern was based on a full drawdown of the term loan and that therefore any variations from this at the time of drawdown or subsequent early repayments are assumed to be managed by the Board in a manner so as to maintain similar levels of headroom.

In relation to the group and parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in respect of the directors' identification in the financial statements of the material uncertainty over the capital raise, which is conditional on shareholder approval, for the going concern review period to the end of March 2022.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's or company's ability to continue as a going concern.

Overview of our audit approach

Audit scope	• We performed an audit of the complete financial information of the group's restaurant, concession and pub operations • Our full scope procedures covered 100% of profit before tax and exceptional items, 100% of revenue and 100% of total assets of the group.
Key audit matters	• Going concern • Impairment of tangible and intangible assets • Implementation of IFRS 16 Leases • Management override in the recognition of revenue
Materiality	• Overall group materiality of £2.8m (2019: £3.6m). We used professional judgement to determine materiality given the impact of Covid-19 on the group's relevant materiality measures.

An overview of the scope of the parent company and group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group wide controls, changes in the business environment and other factors when assessing the level of work to be performed at each component.

The group's operations are almost entirely based within the United Kingdom, with a small franchise operation (and JV interest) outside of the UK but all accounted for within the UK.

We performed an audit of the complete financial information of the group's two components (2019: three components):

1. Wagamama

2. Leisure restaurants, concessions and pub operations

All accounted for in its London offices.

Our full scope procedures covered 100% of profit before tax and exceptional items, 100% of revenue and 100% of total assets of the group (2019: same coverage). We obtained an understanding of the entity-level controls of the group which assisted us in identifying and assessing risks of material misstatement due to fraud or error, as well as assisting us in determining the most appropriate audit strategy.

Changes from the prior year and Covid-19

In the current year the pub operations that were previously operated from the group's Chester office were transferred to the London office and therefore there are only two components this year compared to three in 2019.

Our audit was conducted largely remotely replacing face to face interactions with video-conference sessions of increasing frequency as the audit progressed. All audit evidence was recorded in electronic form on our audit systems. However, we did attend a sample of five physical stocktakes as at 27 December 2020. The Senior Statutory Auditor and the Senior Audit Manager attended two physical Audit Committee meetings between lockdowns.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Impairment of tangible and intangible assets *Refer to the Audit Committee Report (page 42); Accounting policies (page 101); and Note 14 of the Consolidated Financial Statements (pages 118-119)* At 27 December 2020 the carrying value of tangible and intangible non-current assets was £1,277.0m (2019: £953.7m). £578.6m (2019: £593.1m) which relate to indefinite life intangible assets (Wagamama trademark), goodwill, franchise agreements and software and IT development. The increase in tangible assets in the current year is a result of right of use assets of £368.9m being recognised following the adoption of IFRS 16. Impairment for tangible assets is tested on the basis of each individual cash generating unit (CGU) – an individual restaurant or pub site or multiple sites that are in close proximity such as airports where trading is interdependent. For intangible assets the testing is performed at the relevant group of CGUs that benefit from the from the goodwill or other intangible asset.	We gained an understanding through a walkthrough of the process and controls management has in place over the impairment process. We validated that the methodology of the impairment exercise continues to be consistent with the requirements of IAS 36 Impairment of Assets, including appropriate identification of cash generating units for value in use calculations. We confirmed the mathematical accuracy of the models. Below we summarise the procedures performed in relation to the key judgements for the tangible (PP&E and ROUA) and intangible assets impairment review: • We analysed management's forecasts underlying the impairment review against past and current performance and future economic forecasts incorporating a Covid-19 impact on the hospitality sector in the UK. • We compared the expectation of performance of restaurant and pub sites reopening to the recent government announcements and other external market indicators of economic recovery such as forecast GDP growth and UK restaurant and pubs industry growth rates, searching for contrary evidence. • We critically challenged and assessed the reasonableness of management's recovery assumptions and post-Covid-19 assumptions with the assistance of our EY internal economics modeling specialist.	Based on our audit procedures we have concluded the impairment charge and reversal credit are appropriately determined. We highlighted that a reasonably possible change in certain key assumptions including sales forecasts and risk adjustment factors could lead to material additional impairment charges or reversals in the future. We concluded appropriate disclosures had been included by management for the above assumptions.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Impairment of tangible and intangible assets *continued* This is a significant risk due to the scale of the carrying value of the assets being assessed and the level of management judgement required in the assumptions determining the impairment assessment. There were indicators of impairment across the group following Covid-19 national lockdowns and restrictions in the UK, and indicators of impairment reversals at certain sites which have improved trading prospects as a result of revised assumptions including through restructured rent obligations and revised opening plans. The main assumptions are revenue during Covid-19 restrictions, revenue recovery post Covid-19, related cost profile, discount rate and the long-term growth rate. In the current year, owing to the downturn in forecast performance across the group an impairment charge of £143.0m (£31.2m in relation to property, plant and equipment (PP&E), £121.7m of right of use assets (ROUA) and disposal of £14.5m in relation to intangible assets) was recognised. [In addition there was an impairment reversal of £9.9m arising as a result of re-assessed trading prospects.	• We also performed sensitivity analysis based on reasonable possible changes to key assumptions determined by management being revenue, discount rate and long-term growth rate. We assessed that the reasonably possible change assumptions applied by management were appropriate by reference to the ranges determined by our work. • We engaged our EY internal specialists to independently calculate the discount rate and compare it to the discount rate applied in the models by management. • We assessed if there were indicators of impairment reversal given the restructure of the rent base and the change in plans for some sites; and assessed management's estimate of the reversal value, challenging whether the risk factor adjustments applied to the calculation reasonably reflected the considerable uncertainties surrounding the prospects for the relevant sites. • We assessed the disclosures to the financial statements against the requirements of IAS 36 Impairment of Assets, in particular the requirement to disclose further sensitivities for CGUs where a reasonably possible change in a key assumption would cause an impairment. We also assessed the related exceptional item accounting treatment by reference to the company's accounting policy, industry practice and the FRC guidance. **Scope of our procedures** We performed full scope audit procedures on the impairment exercise carried out on all of the group's tangible and intangible assets with the single group integrated team.	

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Implementation of IFRS 16 Leases *Refer to the Audit Committee Report (page 42); Accounting policies (page 91); and Note 12 and Note 19 of the Consolidated Financial Statements (page 116 and page 121)* The implementation of IFRS 16 resulted in a £933.4m of lease liability and £819.5m of right of use asset being recognised at the date of transition. The accounting of IFRS 16 is complex and requires a number of estimates, the most significant of which is the discount rate to apply to each lease. Further, the group has a high volume of leases, some of which have had significant changes in the year as a result of corporate restructuring and Covid-19 rent re-negotiations with landlords and there is a significant risk that the lease liability and corresponding right of use assets (ROUA) are not accounted for correctly to reflect these changes.	We performed the following procedures: • We gained an understanding through a walkthrough of the process and controls management have in place over the implementation of IFRS 16. • We assessed the completeness of the population of leases by testing the reconciliation to the group's operating lease commitments as reported in the prior year financial statements and by performing completeness procedures around the property database. • We have assessed the appropriateness of the incremental borrowing rate (IBR) by reviewing management's methodology with the support of our Corporate Treasury specialists and reperforming the calculations and validating with reference to observable market rates. • We challenged the key judgements and assumptions used by management especially in relation to the lease modification accounting as a result of the corporate restructuring activity undertaken in the year and the Covid-19 rent concessions agreed with landlords. These include the remeasurement of the lease liabilities and corresponding right of use asset under the revised contractual lease terms discounted at an updated IBR rate. • For a sample of leases we recalculated the lease liability and the corresponding ROUA. • We compared the disclosures provided in the financial statements on the impact of IFRS 16 to the disclosure requirements of IFRS 16. **Scope of our procedures** We performed full scope audit procedures over all leases in the group, with the work performed by the group integrated team.	Based on our audit procedures performed we conclude the key estimates and judgements underpinning the implementation of IFRS 16 and the disclosures made are appropriate.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Management override in the recognition of revenue (2020: £459.8m; 2019: 1,073.1m) *Refer to the Accounting policies (page 102); and Note 3 of the Consolidated Financial Statements (page 106)* There is a presumption within auditing standards that revenue recognition is a significant risk and a fraud risk. TRG's revenue is typically comprised of a large number of low value and non-complex transactions, with no judgement applied over the amount recorded. Thus, we consider the risk relating to revenue to be around management override of controls and topside journals to revenue across the restaurant, concession and pub portfolio, resulting in revenue being overstated or sales not recorded.	• We gained an understanding through a walkthrough of the process and controls, including IT elements, that management has in place over the recording of revenue, including the recording of top side journal adjustments. • We applied correlation data analysis over the group's entire revenue journal population to identify how much of the group's revenue is converted to cash postings and to isolate non-standard revenue transactions for further analysis, focusing our testing on higher risk transactions identified. • We identified any topside journals to revenue and obtained corroborative evidence to support them. • We performed cut-off testing procedures including review of post period end cash receipts and journals, and an analytical review of significant variances to last year, to assess for completeness. Scope of our procedures We performed full scope audit procedures over all of the group's revenue, as performed by the integrated group audit team.	We concluded that revenue was reasonably stated. We did not identify any instances of management override in relation to revenue.

In the prior year, our auditor's report included a key audit matter in relation to onerous lease provisions which is no longer relevant following the adoption of IFRS 16 Leases. Where an onerous lease would have been recognised under the previous accounting standard, this will instead be assessed as an impairment of the right of use asset in accordance with IFRS 16 Leases.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the group to be £2.8 million (2019: £3.6m million), which represents our professional judgement based on the relevant metrics used by investors and other users of the financial statements. In 2019 we used 5% of profit before taxation and exceptional items. Materiality in 2020 was based on our judgement of normalised earnings of the group. To form the basis of this assessment we have considered the average profit before exceptionals and tax for financial years 2017-2019 (including Wagamama pre-acquisition). We then reduced this figure by 30% given the 2020 restructuring of the estate to arrive at our view of the normalised earnings of the business.

We determined materiality for the parent company to be £5.0million (2019: £9.5m million), which is 1% of (2019: 2%) of equity. The parent company had a higher materiality than the group as the basis of determining materiality was different. The parent company is a non-trading entity and as such, equity is the most relevant measure to the stakeholders of the entity. We applied the lower end of the range in calculating materiality as there were changes in the business environment driven by external financing.

During the course of our audit, we reassessed initial materiality to reflect the impact of Covid-19 on The Restaurant Group plc. We concluded that no change is required to our final materiality.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the group's overall control environment, our judgement was that performance materiality was 50% (2019: 50%) of our planning materiality, namely £1.4m (2019: £1.8m). We have set performance materiality at this percentage reflecting the incidence of audit differences identified in the previous year.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to component was £0.7m to £0.8m (2019: £0.7m to £1.2m).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.1m (2019: £0.2m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Corporate Governance Statement
The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Aside from the impact of the matters disclosed in the material uncertainty related to going concern section, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 14;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 16;
- Directors' statement on fair, balanced and understandable set out on page 71;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 16;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 36 and;
- The section describing the work of the audit committee set out on page 40

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 71, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are Companies Act 2006, Health & Safety and food hygiene laws, Minimum Wage regulations, Money Laundering regulations and the UK Corporate Governance Code 2018.
- We understood how The Restaurant Group plc is complying with those frameworks by making enquires of management and those responsible for legal and compliance procedures, including the Company Secretary. We corroborated our enquires through our review of board minutes, papers provided to the Audit and Risk Committees and correspondence received from regulatory bodies.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by meeting with management within various part of the business to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perception of analysts. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations that could create a material error in the financial statements. Forensic specialists assisted us in designing our audit approach and verified our identified risks. Our procedures included a review of board minutes to identify noncompliance with laws and regulations, a review of the reporting to the Audit Committee on compliance and regulations, enquires of the Company Secretary and management and journal entry review.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Bob Forsyth (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

London
10 March 2021

Consolidated income statement

	Note	52 Weeks ended 27 December 2020 Trading business £'000	Exceptional items (Note 6)** £'000	Total £'000	52 Weeks ended 29 December 2019* Trading business £'000	Exceptional items (Note 6) £'000	Total £'000
Revenue	3	459,773	–	459,773	1,073,052	–	1,073,052
Cost of sales		(470,597)	(32,518)	(503,115)	(930,566)	(117,894)	(1,048,460)
Gross (loss)/profit	4	(10,824)	(32,518)	(43,342)	142,486	(117,894)	24,592
Share of results of associate	31	(623)	–	(623)	–	–	–
Administration costs		(38,264)	(7,614)	(45,878)	(51,393)	6,068	(45,325)
Operating (loss)/profit		(49,711)	(40,132)	(89,843)	91,093	(111,826)	(20,733)
Interest payable	7	(38,145)	–	(38,145)	(16,660)	–	(16,660)
Interest receivable	7	400	–	400	98	–	98
(Loss)/profit on ordinary activities before tax		(87,456)	(40,132)	(127,588)	74,531	(111,826)	(37,295)
Tax on profit/(loss) from ordinary activities	8	12,004	(4,304)	7,700	(16,260)	13,149	(3,111)
(Loss)/profit for the year		(75,452)	(44,436)	(119,888)	58,271	(98,677)	(40,406)
Other comprehensive income that may be reclassified to profit or loss in subsequent periods							
Foreign exchange differences arising on consolidation		91	–	91	578	–	578
Total comprehensive (loss)/ income for the year		(75,361)	(44,436)	(119,797)	58,849	(98,677)	(39,828)
(Loss)/earnings per share (pence)							
Rights adjusted basic	9	(13.4)	–	(21.3)	11.9	–	(8.2)
Rights adjusted diluted	9	(13.4)	–	(21.3)	11.9	–	(8.2)

EBITDA***		53,450	102,788	156,238	136,743	(6,038)	130,705
Depreciation, amortisation and impairment		(103,161)	(142,920)	(246,081)	(45,650)	(105,788)	(151,438)
Operating (loss)/profit		(49,711)	(40,132)	(89,843)	91,093	(111,826)	(20,733)

* The income statement for the period to 27 December 2020 reflects the adoption of IFRS 16 during the period, but comparatives have not been restated. For a description of the impact, refer to note 1

** Exceptional Items include charges and gains in relation to impairment, closure, restructuring, integration and professional fees

*** EBITDA is defined as Earnings before interest, tax, depreciation, amortisation and impairment

Consolidated balance sheet

	Note	At 27 December 2020 £'000	At 29 December 2019 £'000
Non-current assets			
Intangible assets	11	**599,493**	616,787
Right of use assets*	12	**368,888**	–
Property, plant and equipment	13	**305,614**	335,710
Net investment in subleases*	19	**3,022**	–
Fair value lease assets*		**–**	1,211
		1,277,017	953,708
Current assets			
Inventory		**5,124**	9,274
Other receivables	16	**15,544**	21,924
Net investment in subleases*	19	**600**	–
Prepayments		**8,795**	26,088
Cash and cash equivalents	25	**40,724**	49,756
Assets of disposal group held for sale	15	**–**	4,081
Corporation tax debtor		**89**	–
		70,876	111,123
Total assets		**1,347,893**	1,064,831
Current liabilities			
Overdraft		**–**	(9,950)
Trade and other payables	17	**(116,727)**	(188,287)
Corporation tax liabilities		**–**	(6,210)
Provisions	18	**(4,258)**	(14,549)
Lease liabilities*	19	**(91,478)**	–
Liabilities of disposal group help for sale	15	**–**	(4,081)
		(212,463)	(223,077)
Net current liabilities		**(141,587)**	(111,954)

	Note	At 27 December 2020 £'000	At 29 December 2019 £'000
Long-term borrowings	26	**(381,118)**	(323,822)
Other payables	27	**(1,321)**	(26,077)
Fair value lease liabilities*	19	**–**	(9,605)
Deferred tax liabilities	20	**(40,704)**	(42,007)
Lease liabilities*	19	**(392,310)**	–
Provisions	18	**(8,347)**	(38,344)
		(823,800)	(439,855)
Total liabilities		**(1,036,263)**	(662,932)
Net assets		**311,630**	401,899
Equity			
Share capital	21	**165,880**	138,234
Share premium		**276,634**	249,686
Other reserves	22,23	**(3,896)**	(5,921)
Retained earnings		**(126,988)**	19,900
Total equity		**311,630**	401,899

* The Group has implemented IFRS 16 during the period, resulting in the recognition of lease assets and liabilities in 2020 and removal of certain lines but without any restatement of comparative periods. Further details are given in note 1.

The financial statements of The Restaurant Group plc (company registration number SC030343) on pages 83 to 135 were approved by the Board of Directors and authorised for issue on 10 March 2021 and were signed on its behalf by:

Andy Hornby (CEO) **Kirk Davis (CFO)**

Consolidated statement of changes in equity

	Note	Share capital £' 000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 31 December 2018		138,234	249,686	(7,158)	77,830	458,592
Profit for the year		–	–	–	(40,406)	(40,406)
Other comprehensive income		–	–	578	–	578
Total comprehensive (loss)/income for the period		–	–	578	(40,406)	(39,828)
Dividends	10	–	–	–	(17,524)	(17,524)
Share-based payments – credit to equity		–	–	576	–	576
Deferred tax on share-based payments taken directly to other reserves	20	–	–	83	–	83
Balance at 29 December 2019		138,234	249,686	(5,921)	19,900	401,899
Adjustment for IFRS 16 transition		–	–	–	(27,000)	(27,000)
Balance at 30 December 2019 (revised)		**138,234**	**249,686**	**(5,921)**	**(7,100)**	**374,899**
Loss for the year		**–**	**–**	**–**	**(119,888)**	**(119,888)**
Other comprehensive income		**–**	**–**	**91**	**–**	**91**
Total comprehensive (loss)/income for the period		**–**	**–**	**91**	**(119,888)**	**(119,797)**
Share issue		**27,646**	**26,948**	**–**	**–**	**54,594**
Share-based payments – credit to equity		**–**	**–**	**2,016**	**–**	**2,016**
Deferred tax on share-based payments taken directly to other reserves	20	**–**	**–**	**(82)**	**–**	**(82)**
Balance at 27 December 2020		**165,880**	**276,634**	**(3,896)**	**(126,988)**	**311,630**

Other reserves represents the Group's share-based payment transactions, foreign currency translation reserve, shares held by the employee benefit trust and treasury shares held by the Group.

Consolidated cash flow statement

	Note	52 weeks ended 27 December 2020 £'000	52 weeks ended 29 December 2019 £'000
Operating activities			
Cash generated from operations	24	**3,216**	140,501
Interest received		**173**	98
Interest paid		**(15,679)**	(14,638)
Corporation tax repayment/(paid)		**5,111**	(10,252)
Payment against provisions*	16	**–**	(12,642)
Payment on exceptionals	6	**(34,860)**	(28,464)
Net cash flows from operating activities		**(42,039)**	74,603
Investing activities			
Purchase of property, plant and equipment	13	**(37,387)**	(75,972)
Purchase of intangible assets	11	**(1,883)**	(2,334)
Proceeds from disposal of property, plant and equipment		**3,343**	27,325
Investment in associate		**(623)**	–
Net cash flows from investing activities		**(36,550)**	(50,981)
Financing activities			
Net proceeds from issue of ordinary share capital	21	**54,593**	–
Repayment of obligations under leases*	19	**(30,777)**	–
Repayment of overdraft	25	**(9,950)**	–
Repayment of borrowings	25	**(24,000)**	(32,000)
Drawdown of borrowings	25	**80,611**	–
Drawdown of overdraft	25	**–**	9,950
Upfront loan facility fee paid	25	**(934)**	–
Dividends paid to shareholders	10	**–**	(17,524)
Decrease in obligations under finance leases	25	**–**	(170)
Net cash flows used in financing activities		**69,543**	(39,744)
Net (decrease)/increase in cash and cash equivalents		**(9,046)**	(16,122)
Cash and cash equivalents at the beginning of the year	25	**49,756**	65,903
Foreign exchange movement in cash		**14**	(25)
Cash and cash equivalents at the end of the year		**40,724**	49,756

* The Group has adopted IFRS 16 in the period, but without any restatement of comparative periods. The presentation of cash payments above has therefore changed for certain lines. Refer to note 1 for a description of the impact of IFRS 16.

1 Accounting policies for the consolidated accounts

Significant accounting policies
The Restaurant Group plc (the 'Company') is a public listed company incorporated and registered in Scotland. The consolidated financial statements of the Group for the year ended 27 December 2020 comprise the Company and its subsidiaries (together referred to as the 'Group'). The principal activity of the Group during the period continued to be the operation of restaurants.

(a) Statement of compliance
The consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The impact of Brexit and the end of the transition period on 27 December 2020 on our business was an important consideration for the Board throughout 2020, especially given the uncertainty throughout the year as to whether a binding agreement would be reached between the UK and the EU and the terms of any future trading relationship. The Board was particularly aware of the potential impact on our business, our customers, employees and our suppliers of a 'no deal' scenario and ensured that the Group had in place appropriate arrangements and contingency plans.

(b) Going concern basis
The Directors have adopted the going concern basis in preparing these accounts after assessing the Group's principal risks including the risks arising from Covid-19.

The outbreak of Covid-19 and its continuing impact on the economy, and specifically the hospitality sector, casts uncertainty as to the future financial performance and cash flows of the Group. When assessing the ability of the Group to continue as a going concern the Directors have considered the Group's financing arrangements, likely trading patterns through the recovery, and the possibility of future lockdowns or social restrictions. Management has taken significant actions as outlined in the Business Review to create a covid-safe restaurant experience to protect both our colleagues and customers.

The Group had committed facilities of £470.0m at 27 December 2020 consisting:

- £225.0m high-yield bond expiring July 2022;
- £160.0m TRG plc RCF and £50.0m of Coronavirus Large Business Interruption Loan Scheme (CLBILS) loans expiring June 2022; and
- £35.0m Wagamama super senior RCF, reducing to £32.5m in July 2021, reducing again to £20.0m in October 2021, and expiring in December 2021.

During 2020, the Group raised additional financing and flexibility in the form of:

- an equity placing, which raised net proceeds of £54.6 million;
- accessed £50.0m of CLBILS loans with Lloyds Banking Group, with a maturity of 30 June 2022;
- a £15.0m increase in the Wagamama super senior RCF; and
- extended the existing TRG plc RCF term by 6 months to 30 June 2022 and agreed a covenant waiver for June and December 2020.

1 Accounting policies for the consolidated accounts continued

Since the year-end, the Group has:

- agreed a new £500.0m package of debt facilities consisting of a £380.0m term loan expiring in 2026, and a £120.0m super senior Revolving Credit Facility expiring in 2025. These new facilities are subject to a Minimum Liquidity Requirement of £40.0m until 31 December 2022 and leverage covenant tests which begin in June 2022 for the RCF and December 2022 for the term loan. The Group is required to draw on the new term loan before the end of May 2021, in a single once-only drawdown of between £230.0m and £380.0m, simultaneously repaying the existing RCF, CLBILS and bond debt. The term loan and RCF drawdowns are subject to customary conditions and a change in control clause, all of which are under the control of the Directors.
- obtained covenant waivers for the current TRG and Wagamama super senior RCF through to September 2021; and
- announced an underwritten capital raise through a firm placing, and placing and open offer for £175.0m.

In undertaking a going concern review, the Directors have reviewed financial projections to 31 March 2022 (the review period) containing both the base case and a severe stress case. In both cases, it is assumed that the capital raise announced on 10 March 2021 is successful, however this is subject to shareholder approval in the General Meeting on 29 March 2021. If this is not approved then the Group is forecasting a breach under the stress case of the Minimum Liquidity Requirement within the review period. In the base case scenario this covenant is not breached. Management has conducted a series of pre-marketing meetings with investors covering over 50% of the share register and has received positive support for indications of their intention to subscribe for shares. However, this is not guaranteed, and the vote may not pass at the General Meeting. If approval was not obtained, the Group would aim to take a number of co-ordinated actions designed to avoid a covenant breach, including further discussions with its landlords, selective disposal of assets, further cost reduction programmes, or other commercial actions.

In both scenarios presented below it is assumed that all of the £380.0m term loan facility will be drawn down. The exact amount will be determined by the Board taking relevant factors into account on drawdown with the objective of maintaining similar levels of cash headroom based on the forecast cash flows at the time. The gross proceeds of the underwritten capital raise of approximately £175.0m as announced on 10 March 2021 and which is subject to shareholder approval have also been included in both forecasts.

Base case forecast
Management have prepared the Group's base case forecast, in which the current national lockdown is forecast to continue until 17 May 2021, and the business is then operating under social restrictions (in line with October 2020) until the end of July 2021. However, the Concessions business is forecast to recover much more slowly due to the greater uncertainty on restrictions for international travel.

In the base case forecast, at the lowest point, total cash facilities are £191.4m and after taking account of the minimum liquidity requirement of £40.0m, available facilities do not go below £151.4m. The key judgement in this forecast is the length of the restrictions placed on hospitality, and the level of sales throughout both the national lockdowns, social restrictions and the subsequent recovery.

1 Accounting policies for the consolidated accounts continued

Stress case scenario
Management have also prepared a stress case, which reflects a severe but plausible scenario and assumes the current national lockdown is forecast to continue until 17 May 2021, and the business is then operating under social restrictions (in line with October 2020) until the end of December 2021. Whilst this is significantly worse than the 'Road to Recovery' announced by the UK government on 22 February 2021, the Directors considered it necessary to plan for the potential scenario that the recovery is significantly delayed. In addition, due to restrictions on international travel, the Concessions business is also forecast to be closed completely during 2021. The projections assume that whilst there are social restrictions which impact our ability to trade normally, the UK Government will continue to provide support via the Coronavirus Job Retention Scheme. Whilst this has currently been announced as ending in September 2021, the projections assume this will be extended to protect employment if required. The VAT reduction to 5% and business rates relief has been forecast during the period of national lockdown.

In this scenario total cash facilities are £173.9m and after taking account of the minimum liquidity requirement of £40.0m, available facilities do not go below £133.9m. This scenario does not take account of further mitigations under management's control such as interest deferral under the term loan structure or further cost and capital expenditure savings.

Conclusion
The Directors have concluded that the conditionality of the capital raise, requiring shareholder approval at the General Meeting on 29 March 2021, represents a material uncertainty which may cast significant doubt on the group's ability to continue as a going concern. The Board is confident that shareholder approval will be obtained and therefore has a reasonable expectation that the Group has adequate resources to continue in operational existence for the period to 31 March 2022, being at least the next twelve months from the date of approval of the Annual Report and Accounts. On this basis, the Directors continue to adopt the going concern basis in preparing these accounts. Accordingly, these accounts do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Group were unable to continue as a going concern.

(c) Basis of preparation
The financial year runs to a Sunday within seven days of 31 December each year which will be a 52 or 53 week period. The year ended 27 December 2020 was a 52 week period, with the comparative year to 29 December 2019 being a 52 week period.

The financial statements are presented in pound sterling, rounded to the nearest thousand. They have been prepared on the historical cost basis.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Future accounting policies
At the date of authorisation of these financial statements, there is expected to be no material impact to the Group's financial statements from IFRSs, IFRICs or other standards or interpretations that have been issued but which are not yet effective.

1 Accounting policies for the consolidated accounts continued

New standards and interpretations not yet adopted
At the date of authorisation off these financial statements, the Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and had not yet been adopted by the UK Endorsement Board:

- Amendments to IFRS 3(effective date 1 January 2020)
- Amendments to IAS 1 and IAS 8 (effective date 1 January 2020)
- Revised Conceptual Framework for Financial Reporting (effective date 1 January 2020)
- IBOR Phase 2 (effective date 1 January 2021)
- Covid-19 related Rent Concessions – Amendments to IFRS 16 (effective date 1 June 2020)
- Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16 (effective date 1 January 2022)

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future years.

Changes in accounting policies
During the year, the Group has introduced a policy on government grants and implemented IFRS 16 "Leases". Details of these are given below.

Government grants
Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

During the period, the Group benefited from receipts from the UK government under the Coronavirus Job Retention Scheme (CJRS) of £123.5m. In accordance with IAS 20, amounts received were presented as a deduction to the employment costs upon which CJRS claims had been based.

The Group also benefitted from Business Rates Relief and the £50.0m Coronavirus Large Business Interruption Loan Scheme (CLBILS), with a maturity date of June 2022.

IFRS 16 "Leases"
The Group has adopted IFRS 16 "Leases" on 30 December 2019. This new standard introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees and supersedes the previous lease guidance including IAS 17 "Leases" and related interpretations.

IFRS 16 distinguishes leases from service contracts on the basis of control of an identified asset. For lessees, it removes the previous accounting distinction between (off-balance sheet) operating leases and (on-balance sheet) finance leases and introduces a single model recognising a lease liability and corresponding right of use asset for all leases except for short-term leases and leases of low-value assets. For lessors, IFRS 16 substantially retains existing accounting requirements and continues to require classification of leases either as operating or finance in nature.

Group as lessee
The Company recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Notes to the consolidated accounts continued

1 Accounting policies for the consolidated accounts continued

a) Right of use assets
Right of use assets are initially measured at the value of the corresponding lease liability and subsequently adjusted for depreciation and for any remeasurement of the lease liability as noted above. As is the case for other categories of assets, they may be assessed for impairment where required by IAS 36. As described later in this note, applicable pre-existing rent accruals and prepayments were included in assets on transition to IFRS 16.

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of right of use assets are in line with the remaining lease term.

b) Lease liabilities
Lease liabilities under IFRS 16 are initially recorded at the present value of future lease payments (discounted using the Group's incremental borrowing rate, which we estimate with reference to our debt facilities and observed bond yields).

Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable and variable payments, which might be linked to sales generated.

Variable lease payments that do not depend on an index or a rate but depend on sales or usage of the underlying asset are excluded from the lease liability measurement and recognised as expenses in the period in which the event or condition that triggers the payment occurs. Liabilities are subsequently adjusted for deemed interest charges and payments. Variable payment terms are used for a variety of reasons and dependent on turnover levels.

Lease liabilities may be recalculated in some situations as stipulated by IFRS 16, including where the terms of a lease are modified, which can also result in a separate lease being recognised. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. Such changes to the amount of the lease liability will be also reflected in the corresponding right of use asset, except where a reduction in the asset would result in a negative outcome, in which case the asset's value is reduced to nil and the residual credit recorded in profit or loss.

c) Short-term leases and leases of low-value assets
The Group has elected not to recognise right of use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group operates a number of freehold sites but its estate is predominantly leasehold and the implementation of IFRS 16 has therefore led to a substantial change in balance sheet outcomes, with material new assets and liabilities being recorded to reflect rental agreements that were previously not recorded in the Group's consolidated balance sheet.

Although the great majority of rental payments to landlords are now accounted for as payments to reduce lease liabilities, there remain some circumstances where rental payments continue to be accounted for as rental costs in the same fashion as previously; these include variable or turnover-contingent rents and also rentals for leases with a term of less than 12 months, in line with the requirements of IFRS 16.

In determining the lease term and assessing the length of the non-cancellable period of a lease, an entity shall apply the definition of a contract and determine the period for which the contract is enforceable. A lease is no longer enforceable when the lessee and lessor each has the right to terminate the lease without permission from the other party with no more than an insignificant penalty.

All the leasehold contracts that the Group enter into are for a finite and fixed period of time, however some of the contracts have break dates which unilaterally permit the Group to terminate the contract at a date that is earlier than normal contractual term end date, based on an estimate of lease term on inception. For the purposes of the preparation of the IFRS 16 numbers, the Group have identified a number of leases where use of the break date can been utilised based on an estimate of lease term on inception and notice period. The reason for the option to utilise the break date and potentially terminate the contracts early is due to the underlying trading performance of the identified restaurants which don't fulfil the commercial viability required by the Group. The impact of a decision to end leasehold contracts earlier than the contractual term would be to reduce the recognised IFRS 16 right of use asset and liability, as the future contractual payments, and subsequent discounting to present value, are curtailed in term.

Group as lessor
The Group has a number of contractual headlease agreements in place with its landlords, giving the Group the option to sub-lease these properties to licensees. Under IFRS 16 the headlease has been recognised as a right of use asset and liability on the consolidated balance sheet, while any subleases are recognised as operating leases. This operating lease recognition is based on the substance of the transaction, as the sublease has a shorter tenure than the headlease and once the sublease ends, the use and benefit of the property returns to the Group.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Impact upon the Group's results and position
The implementation of IFRS 16 has had a substantial impact on the Group's financial captions and metrics, as below:

EBITDA and EBITDA margin	The removal of most rental costs and their replacement with depreciation and finance charges will result in substantially higher EBITDA and EBITDA margins.
Depreciation	Depreciation will increase significantly to reflect that charged on right of use assets.
Finance expense	Finance expenses will increase significantly to include deemed interest costs on lease liabilities.
Profit before tax	There will be a significant impact over time, to reflect that the new depreciation and finance expenses will not likely match the rental costs they replace. Typically, profits will be slightly lower initially due to the front-loading of finance charges, but equalise over time.
EPS	A marginal impact on EPS is expected, in line with profit before tax.
Gross assets and liabilities	Gross assets and liabilities will both increase by comparable (but not normally identical) amounts.
Net assets	Net assets have reduced to reflect the impairment of certain right of use assets on transition. This adjustment is recorded in equity, as shown in the Statement of Changes in Equity.
Net debt	Although net debt for lender covenant purposes will continue to be measured on the former (IAS 17) basis, we have chosen to present this KPI inclusive of liabilities under IFRS 16. As a result, Net debt and its ratio to EBITDA will be different.

1 Accounting policies for the consolidated accounts continued

Transition from IAS 17 to IFRS 16
IFRS 16 provides a choice of two transition approaches, which are often termed "full retrospective" and "modified retrospective". The Group has chosen to apply the modified retrospective approach, with the effect that the Group's lease portfolio has been assessed and accounted for on transition under IFRS 16 but with the application of some practical expedients and without any restatement of comparative results, disclosures or balances. Therefore, the comparative information has not been restated and continues to be reported under IAS 17.

Upon transition, the Group's lease liabilities have been measured based upon the estimated remaining term and discounted based upon the Group's incremental borrowing rate on the date of implementation. IFRS 16 provides a choice between two methods in accounting for right of use assets on transition:

- Assets may be measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments; or
- Assets may be measured as if IFRS 16 had been applied since the beginning of each lease, applying however the transition-date discount rate

The majority of right of use assets have been measured initially to match their corresponding liability. For a small number, the Group has calculated a value based on historical lease activity. As a result of this and transition-dated prepayments and accruals, the initial asset and initial liability are not equal on 27 December 2020 and the difference is presented as an adjustment to equity as required by IFRS 16.

The Group has taken into account the practical expedients included within IFRS 16, as detailed below:

- Reliance on the previous identification of a lease (as defined by IAS 17) for all contracts that existed at the date of initial application;
- Reliance on previous assessment of whether leases are onerous instead of performing an impairment review;
- Accounting for operating leases with a remaining lease term of less than 12 months as at the transition date as short-term leases excluded from the scope of IFRS 16 (rental payments associated with these leases are recognised in the Income statement on a straight-line basis over the life of the lease); and
- Accounting for operating leases for low-value items as excluded from the scope of IFRS 16.

1 Accounting policies for the consolidated accounts continued

Financial position at 30 December 2019
The changes set out below were reflected in the Group's results and position on the transition date of 30 December 2019:

	29 December 2019 As reported £'000	IFRS 16 £'000	**30 December 2019 £'000**
Non-current assets			
Intangible assets	616,787	–	**616,787**
Property, plant & equipment	335,710	(1,932)	**333,778**
Right of use assets	–	819,499	**819,499**
Net investment in subleases	–	9,344	**9,344**
Fair value lease assets	1,211	(1,211)	**–**
	953,708	825,700	**1,779,408**
Current assets			
Inventory	9,274	–	**9,274**
Other receivables	21,924	–	**21,924**
Net investment in subleases	–	1,359	**1,359**
Prepayments	26,088	(10,037)	**16,051**
Cash and cash equivalents	49,756	–	**49,756**
Assets of disposal group held for sale	4,081	–	**4,081**
	111,123	(8,678)	**102,445**
Total assets	1,064,831	817,022	**1,881,853**
Current liabilities			
Overdraft	(9,950)	–	**(9,950)**
Trade and other payables	(188,287)	30,910	**(157,377)**
Corporation tax liabilities	(6,210)	–	**(6,210)**
Provisions	(14,549)	11,319	**(3,230)**
Lease liabilities	–	(128,598)	**(128,598)**
Liabilities of disposal group held for sale	(4,081)	–	**(4,081)**
	(223,077)	(86,369)	**(309,446)**
Non-current liabilities			
Long-term borrowings	(323,822)	–	**(323,822)**
Other payables	(26,077)	–	**(26,077)**
Fair value lease liabilities	(9,605)	9,605	**–**
Deferred tax liabilities	(42,007)	2,530	**(39,477)**
Lease liabilities	–	(804,849)	**(804,849)**
Provisions	(38,344)	35,061	**(3,283)**
	(439,855)	(757,653)	**(1,197,508)**
Total liabilities	(662,932)	(844,022)	**(1,506,954)**
Net assets/equity	401,899	(27,000)	**374,899**

1 Accounting policies for the consolidated accounts continued

Whereas the value for liabilities on inception is in line with the estimate provided in the 2019 Annual Report, the value of assets is slightly lower due to changes in the methodology applied to the initial impairment of assets.

Right of use assets and lease liabilities presented above do not include £35.2m of assets and £37.4m of liabilities relating to the US operations designated as "held for sale" at 29 December 2019, since these are adjusted to fair value on inception prior to disposal in January 2020.

Balances that have been adjusted on transition are as follows:

Property, plant & equipment	Certain lease premia had been capitalised into PP&E that are now incorporated into right of use assets.
Right of use assets	Newly-recognised assets on transition.
Other receivables	Newly-recognised net investments in sublease assets.
Fair value lease assets	A number of lease assets at fair value are now removed and incorporated into right of use assets.
Prepayments	Prepaid rent balances are now included in right of use assets.
Fair value lease liabilities	A number of lease liabilities at fair value are now removed and incorporated into right of use assets.
Lease liabilities	Newly-recognised lease liabilities.
Trade and other payables	Accruals for unpaid rent, rent reviews and other lease-related items are now removed and incorporated into right of use assets.
Provisions	The majority of onerous leases related to provisions for rent and therefore are replaced by lease liabilities.
Equity	Retained earnings is adjusted to take account of certain adjustments on transition (including initial impairment and the difference between transition assets and transition liabilities).

Reconciliation of lease liabilities to amounts previously disclosed as operating lease commitments
The liabilities recognised at 30th December 2019 can be reconciled to the operating lease commitments that were previously disclosed in note 24 to the 2019 Annual Report as shown below:

	£000
Undiscounted future operating lease commitments at 29th December 2019	1,005,952
Reclassification from finance lease	2,613
Effect of assumptions about lease terms	149,912
Effect of discounting	(182,250)
Reclassification to asset held for sale	(32,965)
Working capital adjustments	(8,273)
Short term & low value item exemption	(1,542)
IFRS 16 lease liabilities at 30th December 2019	933,447

The weighted average discount rate applied to liabilities on inception was 3.20%.

Working capital adjustments relate to adjustments for accruals and prepaid rent.

1 Accounting policies for the consolidated accounts continued

Impact on financial performance in the period
The results used by the Directors to monitor and review the performance of the Group are to be prepared on an 'underlying' basis, which is based on the accounting standard IAS 17 as adjusted to show the benefit of Covid-19 related rent concessions in the period and a number of the key metrics used in this report are prepared on that basis. A reconciliation is provided below of the key differences between results under IFRS 16 and the basis used for management reporting.

	2020 Trading Underlying £'000	Adjustments for IFRS 16 £'000	2020 Trading IFRS 16 £'000	Exceptional items £'000	2020 Total IFRS 16 £'000
Revenue	459,773	–	459,773	–	459,773
Cost of sales	(451,375)	(19,222)	(470,597)	(32,518)	(503,115)
Gross loss	8,398	(19,222)	(10,824)	(32,518)	(43,342)
Share of result of associate	(623)	–	(623)	–	(623)
Administration costs	(38,264)	–	(38,264)	(7,614)	(45,878)
Operating loss	(30,489)	(19,222)	(49,711)	(40,132)	(89,843)
Interest payable	(17,558)	(20,587)	(38,145)	–	(38,145)
Interest receivable	173	227	400	–	400
Loss before tax	(47,874)	(39,582)	(87,456)	(40,132)	(127,588)
EBITDA	8,730	44,720	53,450	102,788	156,238
Depreciation, amortisation and impairment	(39,219)	(63,942)	(103,161)	(142,920)	(246,081)
Operating loss	(30,489)	(19,222)	(49,711)	(40,132)	(89,843)

An explanation of the amounts in the "Exceptional items" column is provided in note 6.

The "Adjustments for IFRS 16" summarised above can be seen in the below reconciliation of trading profit before tax (excluding exceptional items) from the 'Underlying' basis to the IFRS 16 basis of accounting:

	£000
Underlying Trading loss before tax	(47,874)
Removal of rent expenses	44,720
Net change in depreciation	(63,942)
Interest charged on lease liabilities	(20,587)
Interest receivable on net investments in subleases	227
Trading loss before tax under IFRS 16	(87,456)

1 Accounting policies for the consolidated accounts continued

(d) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company possess power over the investee, has exposure to variable returns from its involvement with the entity and has the ability to use its power over the investee to affect its returns. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account, regardless of management's intention to exercise that option or warrant. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intragroup balances and any gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

(e) Foreign currency

(i) Transactions and balances

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the date of the balance sheet. Transactions in foreign currencies are translated into sterling at the rate of exchange at the date of the transaction. The resulting exchange differences are booked into reserves and reported in the consolidated income statement.

(ii) Group companies

On consolidation, the assets and liabilities of foreign operations are translated into sterling at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income (OCI).

(f) Property, plant and equipment and intangible assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy k). Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Pre-opening costs

Pre-opening costs are deferred until the site opens. On opening of the site, an analysis is performed on all costs held on the balance sheet for the site and split into capital and non-capital expenditure. All non-capital expenditure is recognised in the income statement from the date of opening. Capital expenditure is held in property, plant and equipment and depreciated over the useful life.

Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that enhanced future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

1 Accounting policies for the consolidated accounts continued

Depreciation

Depreciation is charged to the income statement on a straight-line basis to the residual value over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives are as follows:

Freehold land	Indefinite
Freehold buildings	50 years
Long and short leasehold property	Term of lease or 50 years, whichever is lower
Fixtures and equipment	3-10 years
Motor vehicles	4 years
Computer equipment	3-5 years

The estimated useful lives and residual values applied are reviewed at each reporting date with any changes in estimates being applied prospectively.

Intangible assets – Goodwill

All business combinations are accounted for by applying the acquisition method. Goodwill represents amounts arising on acquisition of subsidiaries. In respect of business acquisitions that have occurred since 1 January 2004, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to groups of CGUs encompassing all sites operating under that brand, including any additional new sites. Goodwill is not subject to amortisation but is formally tested for impairment at least annually or when an impairment trigger has arisen (see accounting policy k).

During the year the Group revised the level at which it applied its existing accounting policy to measure impairment of indefinite life intangibles at the level expected to benefit from the synergies of the combination, to also include new sites opened under the same management group or brand. This revision increased the level of headroom by 14% overall but did not avoid an impairment which would have otherwise been incurred.

Intangible assets – Trademarks

Trademarks represent amounts arising on acquisition of subsidiaries. Trademarks are originally recognised at fair value, and then are held at this value less any accumulated impairment losses. Trademarks are allocated to groups of CGUs defined by the original acquisition group. The Wagamama trademarks has been assessed to have an indefinite useful life and therefore is not subject to amortisation but are formally tested for impairment at least annually or when an impairment trigger has arisen (see accounting policy k).

Intangible assets – Franchise agreements

Franchise agreements represent amounts arising on acquisition of subsidiaries. Franchise agreements are stated at fair value less any accumulated amortisation and accumulated impairment losses. Franchise agreements are amortised to the income statement using the straight-line method over 15 years, which is the shorter of their estimated useful lives and periods of contractual rights.

Software and IT development

Software and IT development are stated at cost less any accumulated amortisation and accumulated impairment losses. Software and IT development are amortised to the income statement using the straight-line method over three to five years.

1 Accounting policies for the consolidated accounts continued

(g) Financial assets
Classification
The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'cash and cash equivalents' and 'other receivables' in the balance sheet.

Other receivables are amounts due from suppliers or sub tenants in the ordinary course of business. Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (see accounting policy k).

Recognition and measurement
Financial assets are recognised when the Group becomes party to the contractual provisions of the instrument and are subsequently carried at amortised cost using the effective interest rate method, less provisions for impairment. Impairment of financial assets is based on management's estimate of future cash inflows.

Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

(h) Financial liabilities – Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. This is also applicable to fees for amendments to the loan facilities.

In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

(i) Inventory
Inventory is stated at the lower of cost and net realisable value. Cost is determined in accordance with the weighted average inventory costing model, including applicable commercial discounts. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(j) Cash and cash equivalents
Cash and cash equivalents comprise bank balances, cash balances on hand and in restaurants, and cash-in-transit for credit care transactions or delivery sales received within 72 working hours. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates.

1 Accounting policies for the consolidated accounts continued

(k) Impairment
The Group formally determines whether the carrying amount of property, plant and equipment and Right of use assets (RoUA) are impaired by considering indicators of impairment annually. An impairment loss is recognised whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. This requires the Group to determine the lowest level of assets which generate largely independent cash flows and to determine their recoverable amount, based on estimating the value-in-use or the fair value less cost of disposal of these assets or CGUs; and compare these to their carrying value. Impairment losses for property, plant and equipment are recognised in the income statement.

Impairment losses recognised in prior periods for property, plant and equipment or RoUA shall be reversed where there is an indication that the impairment no longer exists. Where an impairment reversal is recognised, the carrying amount of the asset will be increased to its recoverable amount with the increase being recognised in the income statement. This increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years.

For goodwill and assets that have an indefinite useful life, the recoverable amount is estimated annually. Goodwill impairment losses are recognised in the income statement and are not subsequently reversed. All goodwill stated on the balance sheet relates to the acquisition of Blubeckers Limited, Brunning and Price Limited, Wagamama (Mabel Topco Limited), and Ribble Valley Inns Limited. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination.

(l) Share-based payment transactions
The Group operates a number of share-based payment schemes. These schemes allow Group employees to acquire shares of the Company and all options are equity-settled. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The Stochastic, Black-Scholes and Finnerty valuation models are used to measure the fair value of the options granted. The type of award and conditions attached to the award determine which valuation model is used. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

(m) Provisions
A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money.

(n) Onerous lease provisions
A provision for onerous leases is recognised when the expected benefits to be derived by the Group from a lease are lower than the unavoidable cost of meeting its obligations under the lease. The Group provides for its onerous obligations under operating leases where the property is closed or vacant, and for properties where the fixed cost is in excess of income. The amount provided is based on the lowest net cost of exiting the contract. Estimates have been made with respect to the time to exit, sublet or cover the fixed cost base, along with other associated exit costs as well as an evaluation of the cost of void period prior to sublet and the value of lease incentive which may be required to be paid as part of the sublet process.

(o) Deferred and current tax
Corporation tax payable is provided on the taxable profit at the current rate. Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date, except to the extent that the deferred tax arises from the initial recognition of goodwill. Temporary differences are differences between the carrying amount of the Group's assets and liabilities and their tax base.

1 Accounting policies for the consolidated accounts continued

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse based on tax rates and laws that are enacted, or substantively enacted, by the balance sheet date. Deferred tax is measured on a non-discounted basis.

(p) Pensions
The Group makes contributions for eligible workers into defined contribution pension plans and these contributions are charged to the income statement as they are accrued. The Group does not operate any defined benefit plans.

(q) Revenue
Revenue represents invoiced sales from restaurants, pubs and concession sites, including food and beverages and both dine-in and delivery sales (excluding value added tax and voluntary gratuities left by customers for the benefit of employees), and is recognised at the point of completion of a transaction with a customer. Commission payable on delivery is recognised in cost of sales.

Where the Group operates a concession unit under a franchise agreement, it acts as principal in this trading arrangement. All revenue from franchise arrangements is recognised by the Group at the point of sale, and licensing fees are recognised in cost of sales as the goods are sold.

Where the Group acts as a franchisor in a trading relationship, franchise fees comprise ongoing royalties based on the sales results of the franchisee and up front initial site and territory fees. Royalty revenue is accrued in line with reported sales performance once revenue can be reliably measured. Upfront initial site and territory fees are deferred and recognised on opening of the associated franchisee restaurant.

(r) Other income – rental income
Rental income is derived from sites where the Group is the lessor. Rental income is recognised in the income statement as earned. Provisions are made for any expected credit losses. Where any lease incentives are provided to the lessee (such as rent-free periods), such incentives are accounted for as a reduction in lease income over the lease term.

(s) Expenses
Borrowing costs
Debt is stated net of borrowing costs which are spread over the term of the loan. All other borrowings costs are recognised in the income statement in the period in which they are incurred.

Commercial discount
Commercial discounts represent a reduction in cost of goods and services in accordance with negotiated supplier contracts, the majority of which are based on purchase volumes. Commercial discounts are recognised in the period in which they are earned and to the extent that any variable targets have been achieved in that financial period.

Exceptional items
In order to illustrate the trading performance of the Group, presentation has been made of performance measures excluding those exceptional items which it is considered would distort the comparability of the Group's results. Exceptional items are defined as those items that, by virtue of their unusual nature or size, warrant separate additional disclosure in the financial statements in order to fully understand the performance of the Group.

The Group's income statement provides a reconciliation of the adjusted profitability measures, excluding exceptional items to the equivalent unadjusted IFRS measures. Exceptional items are then further detailed in note 6.

1 Accounting policies for the consolidated accounts continued

(t) Dividends
In accordance with IAS 10 "Events after the Balance Sheet Date", dividends declared after the balance sheet date are not recognised as a liability at that balance sheet date, and are recognised in the financial statements when they have received approval by shareholders.

(u) Treasury shares
Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in the share premium.

(v) Assets Held for Sale
The Group classifies its non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell. Classification as held for sale is only met when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

(w) Associates
An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Associates are accounted for using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Under the equity method, an investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. If after reassessment the Group's share of the net fair value of the identifiable assets and liabilities are in excess of the cost of the investment, this is recognised immediately in profit or loss in the period in which the investment is acquired.

The carrying amount of equity accounted investments is tested for impairment in accordance with the policy described in note 14.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the Group's investment is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an investee.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

1 Accounting policies for the consolidated accounts continued

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Critical accounting judgements and estimates
In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The most significant of these are below:

a) Impairment of non-current assets
As disclosed in Note 14, the impairment reviews of non-current assets require several estimates to determine the value-in-use of each CGU. The key estimates are in relation to the discount rate, and the calculation of the future cash flows and the longer term growth rate. These have been disclosed with sensitivities in Note 14.

Management have assessed CGUs as required for both impairments, and reversals of impairments, where there is an indicator of either.

Given the uncertainties inherent in the pandemic relating to legal and social restrictions, the availability of government support and customer demand current trading environment, the range of possible cashflow outcomes is wider than normal as disclosed in the sensitivity analysis. The future cash flows have been forecast taking into account using the 'base case' and 'stress case' scenarios as outlined in the Going Concern section of this note and in the Financial Review which allow for a range of possible trading scenarios when making estimates about the recovery following COVID. In addition to these forecasts, to recognise the increased uncertainty of cash flows at a CGU level, Management has applied a judgemental and appropriate risk adjustment to the forecast cash flows as appropriate to reflect the level of risk in differing groups of CGUs, particularly those that are subject to significant uncertainty as to timing or conditionality of opening, and the profile of lease cost revisions, many of which have been stayed for a two year period under the CVA.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the CGU's recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimated future cash flows used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such a reversal is recognised in the consolidated income statement. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's carrying amount, less any residual value, on a straight-line basis over its remaining useful life.

b) Forecast business cashflows
For purposes of the going concern assessment and as an input into the impairment assessment, the Group make estimates of likely future cash flows which are based on assumptions given the uncertainties involved. The assumptions include the extent of government restrictions and support, the recovery of the revenues through and beyond the pandemic, cost of labour and supplies and working capital movements. These assumptions are made by management based on recent performance, external forecasts and management's knowledge and expertise of the cashflow drivers.

1 Accounting policies for the consolidated accounts continued

c) Provisions for property costs
As disclosed in Note 6, the Group has made a provision for business rates on sites that no longer have a lease liability following the completion of the CVA, but for which it remains liable for business rates. The Group has made an estimate of the length of time that it will be required to meet those rates obligations as it is expected that the landlords will take possession back of these sites over time. The Group has estimated that all sites will be taken back over a period of six years following the CVA and have made provisions accordingly.

d) Lease term
IFRS 16 defines lease term as the non-cancellable period of a lease together with options to renew or break a lease, if the lessee is reasonably certain to exercise that option. The assessment of lease term is a significant estimate. Where leases include an option to extend or reduce the lease term, the group makes a lease-by-lease assessment as to whether it is reasonably certain that the option will be exercised. This assessment considers the length of the time before any renewal or break option is exercisable, plus current and forecast site trading. Assessments for individual leases are also considered in aggregate to ensure consistency of approach.

e) Lease discount rate
The Group is required to make an assessment to ensure the discount rate assumptions appropriately reflected current market assessments of the incremental borrowing rate, to value the lease liabilities and right of use assets disclosed.

f) Indefinite useful life of Wagamama trademarks
When trademarks are acquired, the Company is required to assess the useful economic life of that trademark. The Company has assessed that the Wagamama trademark of £236m (2018: £236m) has an indefinite useful life, and therefore is not amortising this asset.

This assessment is based on an annual review of the current strength of the trademark using a set of agreed criteria which include LFL sales growth versus the market, Net Promoter Score and staff retention. All of these indicate that the brand remains relevant and demonstrates Wagamama's relative strength in the market. In addition, the Group has committed to invest to maintain the brand's market-leading position, and following the refinancing, have the required funding to deliver on that commitment.

g) Segmental Analysis
Management has determined the operating segments based on the information provided to the Chief Operating Decision Maker. The Group concluded that it has four operating segments as defined by IFRS 8 (Wagamama, Pubs, Leisure and Concessions). The Directors have reviewed the economic characteristics of the segments and decided that whilst there is some short term variability in performance during the COVID recovery, that all segments have similar economic characteristics in the medium to long term. Further information is given in Note 2.

2 Segmental analysis

IFRS 8 Operating Segments requires operating segments to be based on the Group's internal reporting to its Chief Operating Decision Maker (CODM). The CODM is regarded as the combined Executive team of the Chief Executive Officer, and the Chief Financial Officer.

The Group has four segments of:

- Wagamama
- Pubs
- Leisure; and
- Concessions

The economic characteristics of these businesses, including Gross Margin, Net Margin, EBITDA and Sales trajectory, have been reviewed by the Directors along with the non-financial criteria of IFRS 8. It is the Directors' judgment that whilst there is some short term variability during the Covid recovery, all segments have similar economic characteristics in the medium to long-term and so meet the standard's criteria for aggregation. Consequently, no Segmental Analysis is provided.

In the prior year, the business was segmented into the 'Leisure' and 'Growth' businesses as the Leisure segment had a significant number of structurally unattractive sites which meant that both sales and profitability of this business were forecast to decline. Following the exit of these sites through the Leisure CVA, and the reduction in competition, this is no longer relevant. The Directors believe that all segments will grow from the 2020 base for the medium term.

Geographical Segments
The Group trades primarily within the United Kingdom. The Group operates restaurants in the United States and generates revenue from franchise royalties primarily in Europe and the Middle East. The segmentation between geographical location does not meet the quantitative thresholds and so has not been disclosed.

3 Revenue

Revenue has been generated from the operation of restaurants, with substantially all revenue generated within the United Kingdom. The remainder is attributable to restaurants within the United States, prior to the disposal of a controlling stake on 31 January 2020, and franchise royalties in Europe and the Middle East.

4 Profit for the year

	2020 £'000	2019 £'000
Profit for the year after exceptional items has been arrived at after charging/(crediting):		
Amortisation (Note 11)	**2,526**	2,589
Depreciation on right of use asset (Note 12)	**64,142**	–
Depreciation on PPE (Note 13)	**36,493**	43,061
Impairment of property, plant and equipment and software (Note 11 and 13)	**21,221**	105,788
Impairment of right of use asset (Note 12)	**121,698**	–
Impairment on net investment in regards to sublease	**6,648**	–
Purchases of food, beverages and consumables	**99,524**	218,630
Inventory write downs*	**3,578**	–
Variable lease payments	**3,278**	–
Staff costs (Note 5)	**202,844**	392,690
Minimum lease payments**	**–**	110,118
Contingent rents**	**3,278**	15,617
Total operating lease rentals of land and buildings**	**3,278**	125,735
Rental income**	**(660)**	(2,766)
Net rental costs**	**2,618**	122,969

* Inventory write downs relate to amounts written down due to estate closures on account of Covid-19 restrictions, as well as the disposal of Food and Fuel Limited and Chiquito Limited.

**The balances stated reflects the adoption of IFRS 16 during the period, but comparatives have not been restated. For a description of the impact, refer to note 1.

	2020 £'000	2019 £'000
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the Group's and Subsidiary annual accounts	**410**	319
Fees payable to the Company's auditor for the audit of the Subsidiaries' annual accounts	**100**	100
Total non-audit fees	**510**	419
Audit-related assurance services	**140**	40
Anticipated corporate activity	**550**	–
Other assurance services	**10**	25
Total trading non-audit fees	**700**	65
Total auditor's remuneration	**1,210**	484
Non audit: Audit Ratio	**1.4**	0.2

Audit fees included in the above total relating to the Company are borne by a subsidiary undertaking. All of the auditor's remuneration in 2020 and 2019 was expensed as administration costs.

5 Staff costs

	2020	2019
a) Average staff numbers during the year (including Directors)		
Restaurant staff	15,843	20,819
Administration staff	425	475
	16,268	21,294

	2020 £'000	2019 £'000
b) Staff costs (including Directors) comprise*:		
Wages and salaries	163,506	358,959
Social security costs	17,742	27,285
Share-based payments	2,016	576
Pension costs and salary supplements	4,418	5,870
	187,682	392,690

	2020 £'000	2019 £'000
c) Exceptional Staff Costs:		
Severance pay	15,162	870
	15,162	870

	2020 £'000	2019 £'000
d) Directors' remuneration		
Emoluments	1,301	1,909
Salary supplements	61	127
	1,362	2,036
Charge / (Credit) in respect of share-based payments	498	(204)
	1,860	1,832

* This is a net amount after Coronavirus Job Retention Scheme payments of £123.5m.

Further details of the Directors' emoluments and the executive pension schemes are given in the Directors' remuneration report on pages 48 to 65.

6 Exceptional items

	2020 £'000	2019 £'000
Included within cost of sales:		
– Impairment charges relating to trading sites	37,065	105,788
– Estate closure	5,508	–
– Disposal of assets in administration	9,877	–
– Onerous lease provisions in respect of closed and other sites	–	7,455
– Loss on assets held for sale	–	2,019
– Estate restructuring	(18,997)	2,632
– Release of other provision	(935)	–
	32,518	117,894
Included within administration costs:		
– Integration costs	3,198	11,180
– Professional fees	3,178	–
– Disposal of US operation	1,238	–
– Profit from sale of property, plant and equipment	–	(17,248)
	7,614	(6,068)
Exceptional items before tax	40,132	111,826
Tax effect of exceptional Items	4,304	(13,149)
	4,304	(13,149)
Net exceptional items for the year	44,436	98,677

Impairment charges
An impairment charge has been recorded against certain assets to reflect forecast results at several our trading sites, which is deemed as material and not relating to underlying trade.

This charge comprises the below adjustments:

- An impairment of right of use assets of £21.9m (Note 14)
- An impairment of property, plant and equipment and software of £18.5m offset by an impairment reversal of £10.0m (Note 14)
- Expected credit losses of £6.6m in net investment assets relating to sublet properties, to reflect changes in estimated recoverability of amounts receivable from tenants

Further details on the impairment of non-current assets are given in Note 14.

Estate restructuring
The Group has permanently closed a significant number of sites during the year, following the impact of the coronavirus pandemic. As a result of these closures, the Group has recognised a number of material and non-recurring charges and credits as noted below:

- Following the conclusion of the CVA on 29th June 2020, the reduction in lease liabilities resulted in a £193.6m exceptional credit during the year, offsetting the write-off of assets of £167.1m and therefore a net credit of £26.5m
- Derecognition of right of use assets of £30.3m and lease liabilities of £51.6m due to early termination of leases, which led to a credit of £21.3m
- Write-off of property, plant and equipment in closed sites of £12.7m

Notes to the consolidated accounts continued

6 Exceptional items continued

- Staff restructuring costs of £18.2m
- Professional fees in regards to the CVA of £1.8m
- Offset by rent concessions achieved following the impact of Covid-19 amounting to a credit of £10.6m
- Net gains from sale of PPE which lead to a credit of £0.8m
- A provision of £7.5m has been made for future obligations in sites that are permanently closed but for which the Group retains a liability to business rates

The provision for business rates mentioned above will be reviewed and remeasured in future periods and changes in the estimate will be reflected in exceptional items.

Estate closure
The Group has incurred a material and one-off amount of costs relating to the temporary enforced closure of our sites. Where these items are incremental and unrelated to continuing trading activity, we have identified them as exceptional and presented within the value shown above. The most significant components are:

- Site closure costs and inventory write offs of £4.0m
- Security costs of £1.5m

Disposal of assets in administration
The Group has disposed of two UK subsidiaries through the administration process, with no proceeds as at year end. Losses through administration process, including professional fees, have been presented as an exceptional item as it is deemed as material, one-off and non-recurring. These include:

- A £14.5m charge relating to the disposal of goodwill relating to Food & Fuel Limited
- A £11.5m charge relating to the disposal of property, plant and equipment
- A £17.7m net gain relating to the disposal of £81.0m of lease liabilities and £63.3m of right of use assets
- £1.6m of costs relating to professional fees and working capital adjustments

Legal Provision Release
This is in relation to a provision made for legal costs in relation to a dispute which has been settled at less than initially anticipated, it has been deemed as exceptional due to the non-underlying nature of the event.

Integration costs
An exceptional charge of £3.2m (2019: £11.2m) has been recorded in the year in relation to the integration of Wagamama, relating to staff expenses, contractors, redundancy and contract exit costs, which are deemed as material and are unrelated to underlying trading and were part of the acquisition synergies expected from a major acquisition.

Professional fees
During the year, the Group incurred material one-off costs relating to corporate financing and restructuring activity. Since these costs are material, irregular and unrelated to underlying or ongoing trading, they are presented as exceptional items. The key items related to anticipated corporate activity (£3.0m) and attempted sale process for a number of sites (£0.2m).

Disposal of US operation
In January 2020, the Group sold a majority stake in its US operations to a third party and now accounts for these operations as an associate. Professional fees of £1.2m relating to the disposal are presented as exceptional owing to their material and non-underlying nature.

The tax effect relating to these exceptional charges was a debit of £4.3m, compared to a credit of £13.1m in 2019.

6 Exceptional items continued

In 2019, there were net impairment charges of £105.8m incurred against property, plant and equipment and software assets, as well as onerous lease provisions for £7.5m. There was also an impairment of assets held for sale for £2.0m, which was incurred relating to Wagamama US sites which were under strategic review.

In 2019, a write off of £2.6m was also made to the carrying value of the property, plant and equipment for Leisure sites which converted to Wagamama.

In 2019, exceptional charges of £11.2m was recorded in relation to the integration of Wagamama and the Group also sold and leased back the head office building for a gain of £17.2m.

7 Net finance charges

	2020 £'000	2019 £'000
Bank interest payable	15,497	14,413
Unwinding of discount on lease liabilities	20,977	–
Unwinding of discount on provisions	15	634
Amortisation of facility fees	1,620	1,423
Interest on obligations under finance leases	–	170
Other interest payable	36	20
Trading borrowing costs	38,145	16,660
Other interest receivable	(400)	(98)
Total interest receivable	(400)	(98)
Total net finance charges	37,745	16,562

8 Tax

	Trading 2020 £'000	Exceptional 2020 £'000	Total 2020 £'000	Total 2019 £'000
a) The tax charge comprises:				
Current tax				
UK corporation tax	9,568	–	9,568	13,953
Adjustments in respect of previous years	(702)	–	(702)	(274)
Foreign tax relief	3	–	3	(3)
Foreign tax suffered	(24)	–	(24)	19
	8,845	–	8,845	13,695
Deferred tax				
Origination and reversal of temporary differences	2,006	3,416	5,422	1,934
Adjustments in respect of previous years	876	–	876	(1,337)
Charge/(credit) in respect of rate change on deferred tax liability	277	(4,833)	(4,556)	–
Credit in respect of fixed asset impairment	–	(2,887)	(2,887)	(11,181)
	3,159	(4,304)	(1,145)	(10,584)
Total tax charge for the year	12,004	(4,304)	7,700	3,111

8 Tax continued

b) Factors affecting the tax charge for the year
The tax charged for the year varies from the standard UK corporation tax rate of 19% (2019: 19%) due to the following factors:

	Trading 2020 £'000	Exceptional 2020 £'000	Total 2020 £'000	Total 2019 £'000
Profit/(Loss) on ordinary activities before tax	(87,456)	(40,132)	(127,588)	(37,295)
Profit on ordinary activities before tax multiplied by the standard UK corporation tax rate of 19% (2019: 19%)	(16,617)	(7,625)	(24,242)	(7,086)
Effects of:				
Depreciation/impairment on non-qualifying assets	980	3,938	4,918	10,266
Expenses/(credit) not deductible for tax purposes	729	(148)	581	1,631
Movement on unrecognised deferred tax asset	2,407	32	2,439	1,105
(Credit)/charge in respect of rate change on deferred tax liability	(277)	4,833	4,556	–
Effect of overseas tax rates	21	–	21	20
Adjustment in respect of previous years	(173)	–	(173)	(1,612)
Release of tax provisions	–	–	–	–
Balances eliminated on entering administration	621	3,274	3,895	–
Profit on disposal of properties	–	–	–	(1,310)
Share options	371	–	371	97
Movement in capital loss	(66)	–	(66)	–
Total tax (credit)/charge for the year	(12,004)	4,304	(7,700)	3,111

The Finance (No.2) Act 2015 introduced a reduction in the main rate of corporation tax from 19% to 18% from April 2020. This reduction was substantively enacted on 26 October 2015.

The Finance Act 2016 introduced a further reduction in the main rate of corporation tax to 17% from April 2020. This was substantively enacted on 6 September 2016.

As part of the conservative manifesto it was announced that the corporation tax rate would no longer be reduced to 17%. It was substantively enacted on 17 March that the main rate of corporation tax would be retained at 19% from 1 April 2020. The requirement to restate the deferred tax liability from 17% to 19% in the financial year 2020 has had an impact of £4.6m on the tax charge.

9 Earnings per share

	2020	2019
a) Basic loss per share:		
Weighted average ordinary shares for the purposes of basic earnings per share	562,652,429	490,904,049
Total loss for the year (£'000)	(119,888)	(40,406)
Basic loss per share for the year (pence)	(21.3)	(8.2)
Total loss for the year (£'000)	(119,888)	(40,406)
Effect of exceptional items on earnings for the year (£'000)	44,436	98,677
Loss excluding exceptional items (£'000)	(75,452)	58,271
Adjusted (loss)/earnings per share (pence)	(13.4)	11.9
b) Diluted (loss)/earnings per share:		
Weighted average ordinary shares for the purposes of basic earnings per share	562,652,429	490,904,049
Effect of dilutive potential ordinary shares:		
Dilutive shares to be issued in respect of options granted under the share option schemes	84,176	505,478
	562,736,605	491,409,527
Diluted loss per share (pence)	(21.3)	(8.2)
Adjusted diluted (loss)/earnings per share (pence)*	(13.4)	11.9

Diluted earnings per share information is based on adjusting the weighted average number of shares for the purpose of basic earnings per share in respect of notional share awards made to employees in regards of share option schemes and the share held by the employee benefit trust.

The calculation of diluted earnings per share does not assume conversion, exercise or other issue of potential ordinary shares that would have an antidilutive effect on earnings per share.

* The adjusted diluted earnings per share for the 52 weeks ended 29 December 2019 has been re-presented to take account of a correction in the calculation of dilutive shares for that period. No other measures have been affected.

10 Dividend

	2020 £'000	2019 £'000
Amounts recognised as distributions to equity holders during the year:		
Final dividend for the 52 weeks ended 29 December 2019 of £nil (2018: 6.80p) per share	–	7,215
Interim dividend for the 52 weeks ended 27 December 2020 of £nil (2019: 2.10p) per share	–	10,309
Total dividends paid in the year	–	17,524
Proposed final dividend for the 52 weeks ended 27 December 2020 of £nil (2019 actual proposed and paid: £nil) per share	–	–

11 Intangible assets

	Goodwill £'000	Trademarks and licences £'000	Franchise agreements £'000	Software and IT development £'000	Total £'000
Cost					
At 31 December 2018	358,717	236,479	21,900	2,739	619,835
Additions	–	–	–	2,320	2,320
Amounts transferred to asset held for sale	(1,641)	(479)	–	–	(2,120)
Disposals	–	–	–	(223)	(223)
At 29 December 2019	357,076	236,000	21,900	4,836	619,812
Accumulated amortisation and impairment					
At 31 December 2018	–	–	28	314	342
Charged during the year	–	10	1,460	1,119	2,589
Impairment	–	–	–	327	327
Amounts transferred to asset held for sale	–	(10)	–	–	(10)
Disposals	–	–	–	(223)	(223)
At 29 December 2019	–	–	1,488	1,537	3,025
Cost					
At 30 December 2019	357,076	236,000	21,900	4,836	**619,812**
Additions	–	–	–	1,883	**1,883**
Disposals	(14,526)	–	–	(289)	**(14,816)**
Reclassifications	–	–	–	(1,063)	**(1,063)**
At 27 December 2020	342,550	236,000	21,900	5,367	**605,817**
Accumulated amortisation					
At 30 December 2019	–	–	1,488	1,537	**3,025**
Charged during the year	–	–	1,460	1,066	**2,526**
Reclassifications	–	–	–	1,063	**1,063**
Impairment (note 6)	–	–	–	7	**7**
Impairment reversals (note 14)	–	–	–	(21)	**(21)**
Disposals	–	–	–	(277)	**(277)**
At 27 December 2020	–	–	2,948	3,376	**6,324**
Net book value as at 29 December 2019	357,076	236,000	20,412	3,299	616,787
Net book value as At 27 December 2020	342,550	236,000	18,952	1,991	**599,493**

Disposals during the period reflect goodwill attached to the Food & Fuel Limited business.

During the period, the Group reclassified £1,063k of intangibles to equipment within property, plant and equipment that had a net book value of £nil.

11 Intangibles assets continued

Goodwill and trademarks arising on business combinations are not amortised but are subject to an impairment review annually, or more frequently if events or changes in circumstances indicate that they might be impaired. Note 14 describes the impairment reviews conducted at the end of 2020, including also a description of the assumptions made and the sensitivity of impairment to those assumptions.

The recoverable amount of the goodwill and trademark CGUs is £1,589.0m (2019: £1,214.7m). The recoverable amount has been based on value in use estimates using forecasts approved by the Board. The projected cash flows have been discounted using a rate based on the Group's pre-tax weighted average cost of capital of 8.7%* (2019: 8.9%) that reflects the risk of these assets. As the Group implemented IFRS 16 in the year, the discount rate fell by 3.8% due to the incorporation of lease liabilities in the WACC calculation. However, this was offset by a 3.6% increase due to an increased cost of equity and non-lease debt. Cash flows are extrapolated in perpetuity with an annual growth rate of 2-3% (2019: 2%). It was concluded that the value in use for each CGU is higher than its carrying value and therefore did not require impairment.

The carrying amount of goodwill and indefinite life intangible assets allocated to groups of CGUs is presented below along with the group of CGU's recoverable amounts. During the year the Group updated its policy for the measurement of impairment on indefinite life intangibles to incorporate assets expected to benefit from the synergies of the combination. This has had no impact on the outcome of the impairment assessment.

	Trademarks & Licenses £'000	Goodwill £'000	Total Intangibles £'000	Recoverable Amount £'000
Wagamama	236,000	315,527	551,527	1,295,189
Brunning & Price	–	15,158	15,158	234,960
Blubeckers	–	11,275	11,275	55,612
Ribble Valley Inns	–	590	590	3,262
	236,000	**342,550**	**578,550**	**1,589,023**

The key assumptions used in the recoverable amount estimates are the discount rates applied and the forecast cash flows. The Group has conducted a sensitivity analysis taking into consideration the impact on key impairment test assumptions arising from a range of possible trading and economic scenarios as outlined in the stress case scenario at Note 1 as well as risk weightings applied to cash flows, discount rates used and terminal growth rates as outlined in Note 14. The sensitivity analysis show that no reasonably possible movements in these assumptions would lead to an impairment.

12 Right of use assets

Set out below are the right of use assets recognised in the Group's balance sheet and movements therein during the year. All assets relate to access to and use of property and there is, therefore, no analysis of assets into different classes of use.

	£'000
Right of use assets at 30 December 2019 (as restated for the adoption of IFRS 16 – see note 1)	819,499
Additions	17,961
Disposals	(167,821)
Depreciation	(73,527)
Remeasurements	(105,526)
Impairment of assets in closed sites (note 6)	(99,786)
Impairment of assets in trading sites (note 6)	(21,912)
Right of use assets at 27 December 2020	368,888

Within the depreciation of right of use assets above, £9.4m was capitalised into property, plant and equipment in respect of assets not yet ready for use in their intended purpose.

When indicators of impairment exist, right of use assets may be assessed for impairment. As described in note 14, all non-current assets were assessed at the end of 2020.

13 Property, plant and equipment

	Land and buildings £'000	Fixtures, equipment and vehicles £'000	Total £'000
Cost			
At 31 December 2018	643,673	246,060	889,733
Additions	36,819	32,998	69,817
Disposals	(12,266)	(8,035)	(20,301)
Amounts transferred to Asset held for sale	(20,608)	(5,651)	(26,259)
Foreign exchange differences	(323)	(73)	(396)
At 29 December 2019	647,295	265,299	912,594
Accumulated depreciation and impairment			
At 31 December 2018	294,527	164,575	459,102
Provided during the year	21,023	22,038	43,061
Impairment (note 6)	85,009	20,452	105,461
Disposals	(2,222)	(6,142)	(8,364)
Amounts transferred to Asset held for sale	(17,595)	(4,674)	(22,269)
Foreign exchange differences	(84)	(23)	(107)
At 29 December 2019	380,658	196,226	576,884
Cost			
At 30 December 2019	647,295	265,299	912,594
Adjustment on transition to IFRS 16	(3,223)	–	(3,223)
At 30 December 2019 (Restated)	644,072	265,299	909,371
Additions	27,867	17,900	45,767
Disposals	(96,229)	(46,606)	(142,835)
Reclassifications	–	1,063	1,063
At 27 December 2020	575,710	237,656	813,366
Accumulated depreciation and impairment			
At 30 December 2019	380,658	196,226	576,884
Adjustment on transition to IFRS 16	(1,291)	–	(1,291)
At 30 December 2019 (Restated)	379,367	196,226	575,593
Provided during the year	16,421	20,072	36,493
Impairment (note 6)	22,965	8,214	31,179
Impairment reversals (note 14)	(7,722)	(2,222)	(9,944)
Disposals	(81,679)	(42,827)	(124,506)
Reclassifications	–	(1,063)	(1,063)
At 27 December 2020	329,352	178,400	507,752
Net book value as at 29 December 2019	266,637	69,073	335,710
Net book value as At 27 December 2020	246,358	59,256	305,614

Property, plant and equipment additions of £45,767k includes capitalised right of use asset depreciation for sites under construction of £9,385k and a reduction in capital creditors of £1,003k. The purchase of property, plant and equipment disclosed in the cash flow statement excludes capitalised right of use depreciation.

During the period, the Group reclassified £1,063k of intangibles to equipment within property, plant and equipment that had a net book value of £nil.

13 Property, plant and equipment continued

The Group has carried out impairment testing of property, plant and equipment as described in note 14.

	2020 £'000	2019 £'000
Net book value of land and buildings:		
Freehold	**98,770**	116,397
Long leasehold	**3,690**	3,128
Short leasehold	**143,898**	147,112
	246,358	266,637

14 Impairment reviews

The significant trading disruption in the period is judged to be an indicator of potential impairment of assets and, accordingly, the Directors have chosen to assess all non-financial assets for impairment in accordance with IAS 36.

Approach and assumptions

Our approach to impairment reviews is unchanged from that applied in previous periods and relies primarily upon 'value in use' tests, although for freehold sites an independent estimate of market value by site has also been obtained and, where this is higher than the value in use, we rely on freehold values in our impairment reviews.

Discount rates as used in the value in use calculations are estimated with reference to our Group weighted average cost of capital. For 2020, we have applied the discount rate of 8.7% to all assets (2019: 8.9%), since in the opinion of the Directors all assets are currently subject to a comparable risk profile. As the Group implemented IFRS 16 in the year, the discount rate fell by 3.8% due to the incorporation of lease liabilities in the WACC calculation. However, this was offset by a 3.6% increase due to an increased cost of equity and non-lease debt.

For the current period, value in use estimates have been prepared on the basis of the 'base case' forecast described above in Note 1 under the heading 'Going concern basis'. The most significant assumptions and estimates used in our impairment reviews are those contained within the base case forecast. Of these, the assumptions with the most significant impact on forecast site-by-site cash flows are those relating to revenue recovery and trends, where it is assumed that our businesses maintain a steady recovery in revenues, reaching 2019 levels by site and then growing at 2% per year, with pubs being the quickest to recover and concessions being the slowest. In addition to the forecast cash flows, a risk adjustment has been applied to these cash flows to reflect the uncertainty of future cash flows in the current environment.

Results of impairment review

Impairment has been recorded in a number of specific CGUs, reflecting weaker trading in certain areas following the Covid-19 pandemic. A total charge £152.8m (2019: £105.5m) was recognised of which £18.5m was recorded against Trading Property, Plant & Equipment ("PP&E") and a further £21.9m against right of use assets. This was offset by impairment reversals on property, plant and equipment of £10.0m caused by rent restructuring and changed post-Covid opening plans.

In addition, impairment of assets in closed sites amounted to £12.7m of property, plant and equipment and a further £99.8m of right of use assets.

No impairment was recorded against the Group's intangible assets (including goodwill).

Sensitivity to further impairment charges

The key assumptions used in the recoverable amount estimates are the forecast cash flows, risk adjustments applied to cash flows, discount rates and terminal growth rates. The Group has conducted a sensitivity analysis taking into consideration the impact on key impairment test assumptions arising from a range of possible trading and economic scenarios as outlined in the stress case scenario at Note 1 as well as the risk adjustment rates applied to cash flows, discount rates and terminal growth rates used.

14 Impairment reviews continued

The sensitivity analysis of forecast cash flows taking into account management's stress case scenario would give rise to an additional impairment of approximately £42.2m, made up of an increase in the impairment expense of £34.9m and a reduction in impairment reversals of £7.3m.

Doubling the risk adjustments applied to cash flows would give rise to an additional impairment of approximately £19.4m, made up of an increase in the impairment expense of £11.4m and a reduction in the impairment reversals of £8.0m. While halving the risk adjustments applied to cash flows would give rise to a reduction in impairment of £9.1m, made up of a £3.5m reduction in impairment expense and an increase in impairment reversals of £5.5m. The impact of doubling the risk adjustments is much greater than the impact of halving them as we have sensitised this assumption towards the downside risk due to the current trading conditions.

An increase in discount rate of 2% would give rise to an additional impairment of approximately £8.2m, made up of an increase in the impairment expense of £6.1m and a reduction in the impairment reversals of £2.1m. While a 2% decrease would give rise to a reduction in impairment of £6.5m, made up of a £4.4m reduction in impairment expense and an increase in impairment reversals of £2.1m.

A decrease in terminal growth rates of 1% would give rise to an additional impairment of approximately £2.0m, made up of an increase in the impairment expense of £1.3m and a reduction in the impairment reversals of £0.7m. While a 1% increase would give rise to a reduction in impairment of £1.6m, made up of a £1.1m reduction in impairment expense and an increase in impairment reversals of £0.5m.

15 Assets held for sale

Assets presented as held for sale in previous periods related to the Wagamama US operations. This business now is accounted for as an associate as described in note 31.

16 Other receivables

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Other receivables	**15,657**	22,262
Expected credit losses	**(113)**	(490)
Fair value lease assets	**–**	152
	15,544	21,924

Movements in the Group provision for expected credit losses of trade and other receivables is as follows:

	2020 £'000	2019 £'000
At the beginning of the year	**(490)**	(950)
Released during the year	**377**	460
At the end of the year	**(113)**	(490)

Other receivables relate to amounts due from suppliers in the ordinary course of business and amounts receivable relating to the Coronavirus Job Retention Scheme (CJRS). The Group's exposure to credit risk arising from other receivables is low given the strong trade relationship maintained with suppliers. The Group's exposure to credit risk arising from its operations is minimal given that the customer base is large and unrelated and that the overwhelming majority of customer transactions are settled through cash or secure electronic means.

The Group applies a simplified approach to expected credit losses, recognising a loss allowance based on historic losses and economic factors relating to specific customers.

17 Trade and other payables

	2020 £'000	2019 £'000
Amounts falling due within one year:		
Trade payables	40,082	65,360
Other tax and social security	18,061	38,412
Other payables*	16,283	20,503
Accruals	42,301	62,917
Fair value lease liabilities	–	823
Finance lease liability	–	272
	116,727	188,287

* Other payables principally relate to wages and related items payable to employees.

18 Provisions

	2020 £'000	2019 £'000
Property cost provisions*	11,322	48,862
Other provisions	1,283	4,031
Balance at the end of the year	12,605	52,893
Analysed as:		
Amount due for settlement within one year	4,258	14,549
Amount due for settlement after one year	8,347	38,344
	12,605	52,893

	Property cost provisions* £'000	Other £'000	Total £'000
Balance at 29 December 2019	48,862	4,031	52,893
Adjustments made on implementation of IFRS 16	(44,566)	(1,814)	(46,380)
Balance at 30 December 2019	4,296	2,217	6,513
Remeasurement	7,481	(934)	6,547
Amounts utilised	(470)	–	(470)
Unwinding of discount	15	–	15
Balance At 27 December 2020	11,322	1,283	12,605

* Due to the transition to IFRS 16 for 2020, the liabilities for all leases, onerous and otherwise, are included in lease liabilities on the balance sheet. As part of the transition, the provisions categorised as property cost provisions (2019: Onerous contracts and other property provisions) were used to reduce the right of use asset as an impairment. Therefore the related onerous lease provision of £44.6m does not exist in 2020. The remaining balance relates to those elements of the onerous lease provision that are not related to lease payments, such as business rates. During 2019, onerous lease provisions were held for onerous contracts in respect of lease agreements. The provision comprised of the onerous element of expenditure over the life of those contracts and exit costs. Onerous lease provisions resulted in a charge of £7.5m in 2019.

19 Lease liabilities and net investments in subleases

The Group is both a lessee and lessor of property.

(a) Group as lessee

Set out below are the movements in the carrying amount of lease liabilities during the period. All leases relate to access to and use of property.

	2020 £'000
At 30 December 2019	933,447
Additions	17,961
Finance charges	20,977
Cash payments made	(30,777)
Liabilities extinguished in disposals	(335,717)
Remeasurements	(122,103)
At 27 December 2020	483,788
Analysed as:	
Amount due for settlement within one year	91,478
Amount due for settlement after one year	392,310
	483,788

In addition to the finance charges noted in the above table and depreciation on right of use assets, the Group also incurred £3.3m of costs relating to variable lease payments not included within the carrying amount of lease liabilities and £2.3m of costs relating to short term leases.

As at 27 December 2020, the Group was not committed to any leases with future cash outflows which had not yet commenced.

19 Lease liabilities and net investments in subleases continued

(b) Group as lessor
All income relates to fixed rental receipts. Movements in the net investment in lease assets included income of £0.2m and an expected credit loss provision of £2.9m. Income from leases classified as operating leases amounted to £0.9m.

Finance leases
Undiscounted lease receipts relating to finance leases for future years are set out in the table below.

	2020 £'000
Amounts receivable in the next year	788
Amounts receivable in 1-2 years	563
Amounts receivable in 2-3 years	389
Amounts receivable in 3-4 years	389
Amounts receivable in 4-5 years	371
Amounts receivable after 5 years from the balance sheet date	4,052
	6,552

The total in the table above is greater than the balance sheet amount due to the effects of discounting and provisions for expected credit losses. There is no undiscounted unguaranteed residual value within the amounts recognised.

Operating leases

	2020 £'000
Amounts receivable in the next year	425
Amounts receivable in 1-2 years	336
Amounts receivable in 2-3 years	193
Amounts receivable in 3-4 years	133
Amounts receivable in 4-5 years	104
Amounts receivable after 5 years from the balance sheet date	750
	1,941

20 Deferred taxation

	Capital allowances £'000	Intangible assets £'000	Share options £'000	Losses £'000	Other £'000	2020 Total £'000	2019 Total £'000
Balance at the beginning of the year	601	44,006	(324)	–	(2,276)	42,007	52,674
Impact of adoption of IFRS 16	–	–	–	–	(2,530)	(2,530)	–
Balance at the beginning of the year after IFRS 16	601	44,006	(324)	–	(4,806)	39,477	–
Movement in deferred tax balances (net of exceptional credit)	811	4,639	(35)	(3,890)	496	2,021	(9,247)
Adjustments in respect of previous years	(672)	(9)	–	–	(195)	(876)	(1,337)
Deferred tax taken directly to the income statement (Note 8)	139	4,630	(35)	(3,890)	301	1,145	(10,584)
Deferred tax arising on acquisition	–	–	–	–	–	–	–
Tax on share-based payments	–	–	82	–	–	82	(83)
Deferred tax taken through equity	–	–	82	–	–	82	(83)
Balance at the end of the year	740	48,636	(277)	(3,890)	(4,505)	40,704	42,007

	2020 £'000	2019 £'000
Deferred tax consists of:		
Capital allowances in advance of depreciation	740	601
Intangible assets	48,636	44,006
Share options	(277)	(324)
Tax losses	(3,890)	–
Other temporary differences	(4,505)	(2,276)
	40,704	42,007

Unrecognised deferred tax was £(2.9m) in the year, compared to £(0.1m) in 2019.

21 Share capital

	Number	£'000
Authorised, issued and fully paid		
At 29 December 2019	491,496,230	138,234
Shares issued in the period	98,299,245	27,646
At 27 December 2020	**589,795,475**	**165,880**

The shares have a par value of 28.125p each (2019: 28.125p).

	Number	£'000
Treasury shares		
At 29 December 2019 and 27 December 2020	66,955	186

The Treasury shares are held to satisfy the Group's long term deferred bonus incentive scheme.

On 9th April 2020, a total of 98,299,245 ordinary shares were issued as a result of private placing and a concurrent subscription, raising net proceeds of £54.6 million.

22 Other reserves

Employee Benefit Trust

An employee benefit trust (EBT) was established in 2007 in order to satisfy the exercise or vesting of existing and future share awards under the Long-Term Incentive Plan. The EBT purchases shares in the market, using funds provided by the Company, based on expectations of future requirements. Dividends are waived by the EBT. At 27 December 2020, the Trustees, Estera Trust (Jersey) Limited, held 591,480 shares in the Company (29 December 2019: 592,181 shares).

Details of options granted under the Group's share schemes are given in Note 23.

Foreign Currency Movement

During the year, the Group made a £91,000 (2019: £578,092) foreign currency gain on translation of foreign subsidiaries.

23 Share-based payment schemes

The Group operates a number of share-based payment schemes, details of which are provided in the Directors' remuneration report.

A charge has been recorded in the income statement of the Group in respect of share-based payments of £2.0m (2019: £0.6m).

The other reserves account in the balance sheet reflects the credit to equity made in respect of the charge for share-based payments made through the income statement and the purchase of shares in the market by the EBT in order to satisfy the vesting of existing and future share awards under the Long-Term Incentive Plan.

Long-Term Incentive Plan

The Group operates the 2005 Long-Term Incentive Plan (LTIP), details of which are provided in the Directors' remuneration report. Awards under the LTIP are granted to executive Directors and senior management in the form of nil cost options. No LTIPs have been granted in the period as they are all 'Restricted Share Plan'.

Vesting of share options under the LTIP is dependent on continuing employment or in accordance with 'good leaver' status as set out in the scheme rules.

In exceptional circumstances, employees may be permitted to exercise options before the normal vesting date.

Year ended 27 December 2020

Period during which options are exercisable	Type of award	Fair value	Outstanding at the beginning of the year	Granted	Exercised	Lapsed	Outstanding at the end of the year	Exercisable at the end of the year
2020	Conditional – TSR element	201.7p	226,717	–	–	226,717	–	–
2020	Conditional – EPS element	333.2p	226,717	–	–	226,717	–	–
2021	Conditional – TSR element	128.0p	514,931	–	–	102,395	412,538	–
2021	Conditional – EPS element	226.0p	514,931	–	–	102,395	412,538	–
2021	Conditional – TSR element	149.0p	12,564	–	–	–	12,565	–
2021	Conditional – EPS element	276.6p	12,564	–	–	–	12,565	–
2022	Conditional – TSR element	44.6p	2,158,618	–	–	450,012	1,708,608	–
2022	Conditional – EPS element	112.4p	2,158,618	–	–	450,012	1,708,608	–
2022	Conditional – TSR element	69.7p	817,632	–	–	54,254	763,380	–
2022	Conditional – EPS element	149.7p	817,632	–	–	54,254	763,380	–
2023	Conditional – EPS element	54.0p	–	6,589,488	–	19,924	6,569,564	–
Total number			**7,460,924**	**6,589,488**	**–**	**1,686,680**	**12,363,746**	**–**

23 Share-based payment schemes continued

Year ended 29 December 2019

Period during which options are exercisable	Type of award	Fair value	Outstanding at the beginning of the year	Granted	Exercised	Lapsed	Outstanding at the end of the year	Exercisable at the end of the year
2019	Conditional – TSR element	50.4p	216,001	–	–	(216,001)	–	–
2019	Conditional – EPS element	395.1p	216,001	–	–	(216,001)	–	–
2019	Continued Employment	395.1p	144,000	–	–	(144,000)	–	–
2019	Conditional – TSR element	212.5p	141,338	–	–	(141,338)	–	–
2019	Conditional – EPS element	331.7p	141,337	–	–	(141,337)	–	–
2020	Conditional – TSR element	201.7p	409,830	–	–	(183,113)	226,717	–
2020	Conditional – EPS element	333.2p	409,830	–	–	(183,113)	226,717	–
2020	Conditional – TSR element	157.4p	48,930	–	–	(48,930)	–	–
2020	Conditional – EPS element	292.3p	48,929	–	–	(48,929)	–	–
2020	Conditional – TSR element	134.9p	20,751	–	–	(20,751)	–	–
2020	Conditional – EPS element	274.7p	20,751	–	–	(20,751)	–	–
2021	Conditional – TSR element	128.0p	809,166	–	–	(294,235)	514,931	–
2021	Conditional – EPS element	226.0p	809,166	–	–	(294,235)	514,931	–
2021	Conditional – TSR element	149.0p	37,684	–	–	(25,120)	12,564	–
2021	Conditional – EPS element	276.6p	37,684	–	–	(25,120)	12,564	–
2022	Conditional – TSR element	44.6p	–	2,629,233	–	(470,615)	2,158,618	–
2022	Conditional – EPS element	112.4p	–	2,629,233	–	(470,615)	2,158,618	–
2022	Conditional – TSR element	69.7p	–	817,632	–	–	817,632	–
2022	Conditional – EPS element	149.7p	–	817,632	–	–	817,632	–
Total number			**3,511,398**	**6,893,730**	**–**	**(2,944,204)**	**7,460,924**	**–**

23 Share-based payment schemes continued

Save As You Earn

Under the Save As You Earn (SAYE) scheme, the Board may grant options over shares in The Restaurant Group plc to UK-based employees of the Group. Options are granted with a fixed exercise price equal to 80% of the average market price of the shares for the five days prior to invitation. Employees pay a fixed amount from their salary into a savings account each month for the three year savings period. At the end of the savings period, employees have six months in which to exercise their options using the funds saved. If employees decide not to exercise their options, they may withdraw their funds saved and the options expire. Exercise of options is subject to continued employment within the Group. In exceptional circumstances, employees may be permitted to exercise these options before the end of the three year savings period. Options were valued using the Stochastic share pricing model.

Year ended 27 December 2020

Period during which options are exercisable	Exercise price	Outstanding at the beginning of the year	Granted	Forfeited	Exercised	Lapsed	Outstanding at the end of the year	Exercisable at the end of the year
2019 - 2020	307.0p	332,387	–	(332,387)	–	–	–	–
2020 - 2021	243.8p	367,364	–	(265,796)	–	(16,173)	85,395	–
2021 - 2022	239.5p	302,685	–	(186,200)	–	(2,057)	114,428	–
2022 - 2023	112.7p	2,712,152	–	(2,249,161)	–	–	462,991	–
2023 - 2024	52.0p	–	6,493,189	(31,250)	–	–	6,461,939	–
Total number		**3,714,588**	**6,493,189**	**(3,064,794)**	**–**	**(18,230)**	**7,124,753**	**–**
Weighted average exercise price		**153.4p**	**52.0p**	**133.4p**	**–**	**243.3p**	**61.3p**	**–**

Year ended 29 December 2019

Period during which options are exercisable	Exercise price	Outstanding at the beginning of the year	Granted	Forfeited	Exercised	Lapsed	Outstanding at the end of the year	Exercisable at the end of the year
2018 - 2019	546.0p	86,537	–	(329)	–	(86,208)	–	–
2019 - 2020	307.0p	411,320	–	(21,857)	–	(57,076)	332,387	–
2020 - 2021	243.8p	615,281	–	(18,974)	–	(228,943)	367,364	–
2021 - 2022	239.5p	515,612	–	(38,961)	–	(173,966)	302,685	–
2022 - 2023	112.7p	–	2,735,464	(3,832)	–	(19,480)	2,712,152	–
Total number	–	1,628,750	2,735,464	(83,953)	–	(565,673)	3,714,588	–
Weighted average exercise price	–	274.4p	112.7p	253.5p	0.0p	290.4p	153.4p	–

The weighted average remaining contractual life for the shares outstanding at the end of the period is 2.80 years (2019: 2.29 years).

23 Share-based payment schemes continued

Restricted Share Plan

The Group has issued Restricted Share Plan to certain employees and directors as described in the Directors' remuneration report. Instruments granted under this plan represent deferred shares, of which certain are subject to performance conditions. No exercise price is payable on these instruments.

Period during which options are exercisable	Type of award	Fair value	Outstanding at the beginning of the year	Granted	Exercised	Lapsed	Outstanding at the end of the year	Exercisable at the end of the year
2023	Restricted Share Plan	54.0p	–	6,589,488	–	(19,924)	6,569,564	–

Owing to the terms of the instruments, their fair value is estimated to match the market value of shares at the date of grant.

Assumptions used in valuation of share-based payments granted in the year ended 27 December 2020:

Scheme	RSP	2020 SAYE
Grant date	08/10/2020	08/12/2020
Share price at grant date	54.0p	70.0p
Exercise price	n/a	51.34p
No of options originally granted	6,589,488	6,493,189
Minimum vesting period	3 years	3 years
Expected volatility 1	n/a	80.7%
Contractual life	3 years	3.4 years
Risk free rate	n/a	0.06%
Expected dividend yield	n/a	0.00%
Expected forfeitures	23.00%	27.00%
Fair value per option	67.5p	36.8p

1 Expected volatility is the measure of the amount by which the share price is expected to fluctuate during a period. In order to calculate volatility, the movement in share price over a period prior to the grant date has been calculated. For the discount for the SAYE scheme, the calculated volatility based on the movement in share price over a period of 5 years prior to the grant has been used.

24 Reconciliation of profit before tax to cash generated from operations

	2020 £'000	2019 £'000
Loss on ordinary activities before tax	(127,588)	(37,295)
Net interest charges	37,745	16,562
Exceptional items (note 6)	40,132	110,467
Share of result of associate	623	–
Share-based payments	2,016	576
Depreciation and amortisation	103,161	45,650
(Increase)/decrease in inventory	3,527	(596)
(Increase)/decrease in receivables	15,897	(261)
(Decrease)/increase in creditors	(72,297)	5,398
Cash generated from operations	**3,216**	140,501

25 Reconciliation of changes in cash to the movement in net debt

	2020 £'000	2019 £'000
Net debt:		
At the beginning of the year	(286,628)	(291,132)
Adjustment for recognition of IFRS 16	(930,835)	–
Movements in the year:		
Net repayment/(drawdown) of borrowings	(56,611)	32,000
Repayment/(drawdown) of overdraft	9,950	(9,950)
Upfront loan facility fee paid	934	–
Finance leases	–	170
Repayment of obligations under leases	30,777	–
Non-cash movements in the year	417,277	(1,594)
Net cash (outflow)/inflow	(9,046)	(16,122)
At the end of the year	(824,182)	(286,628)

Represented by:

	At 30 December 2018 £'000	Cash flow movements in the year £'000	Non-cash movements in the year £'000	At 29 December 2019 £'000	Impact of transition to IFRS 16 £'000	Cash flow movements in the year £'000	Non-cash movements in the year £'000	At 27 December 2020 £'000
Cash and cash equivalents	65,903	(16,122)	(25)	49,756	–	(9,046)	14	40,724
Overdraft	–	(9,950)	–	(9,950)	–	9,950	–	–
Bank loans falling due after one year	(354,420)	32,000	(1,402)	(323,822)	–	(55,677)	(1,619)	(381,118)
Finance leases	(2,615)	170	(167)	(2,612)	2,612	–	–	–
Lease liabilities	–	–	–	–	(933,447)	30,777	418,882	(483,788)
	(291,132)	6,098	(1,594)	(286,628)	(930,835)	(23,996)	417,277	(824,182)

Cash and cash equivalents are comprised of cash at bank and cash floats held on site. The cash and cash equivalents balance includes credit card receipts that were cleared post year end.

The non-cash movements in bank loans are in relation to the de-recognition and remeasurement of lease liabilities, amortisation of prepaid facility costs and foreign exchange.

26 Long-term borrowings

	At 27 December 2020		At 29 December 2019	
	Drawn £'000	Total facility £'000	Drawn £'000	Total facility £'000
High yield bond	225,000	225,000	225,000	225,000
Revolving credit facilities	108,611	195,000	102,000	230,000
CLBILS	50,000	50,000	–	–
Total banking facilities	383,611	470,000	327,000	455,000
Unamortised loan fees	(2,493)	–	(3,178)	–
Long-term borrowings	381,118	–	323,822	–

27 Financial instruments and derivatives

The Group finances its operations through equity and borrowings.

Management pay rigorous attention to treasury management requirements and continue to

- ensure sufficient committed loan facilities are in place to support anticipated business requirements;
- ensure the Group's debt service will be supported by anticipated cash flows and that covenants will be complied with; and
- manage interest rate exposure with a combination of fixed and floating rate debt.

The Board closely monitors the Group's treasury strategy and the management of treasury risk.

Further details on the business risk factors that are considered to affect the Group are included in the strategic report and more specific financial risk management (including sensitivity to increases in interest rates) are included in the Directors' Report.

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while looking to maximise returns to shareholders. The capital structure of the Group consists of equity (comprising issued share capital, other reserves and retained earnings), borrowings and cash and cash equivalents. The Group monitors its capital structure on a regular basis through cash flow projections and consideration of the cost of financing its capital.

The Group is subject to externally imposed capital requirements in respect of its revolving credit facilities. The Group is required to maintain a net debt to EBITDA ratio and EBITDA to net finance charge ratio. These requirements are monitored as part of the capital management process on a regular basis and have been complied with for the current and prior financial year. As discussed in the Financial Review, the Group has received waivers for all financial covenants under the existing facilities until September 2021, subject to maintaining a minimum liquidity requirement of £50.0m. The new facilities which will be entered into prior to 31 May 2021, contain leverage covenants though these do not take effect until June 2022 subject to maintaining a £40.0m minimum liquidity requirement to 31 December 2022.

27 Financial instruments and derivatives continued

(a) Financial assets and liabilities

Financial assets

The financial assets of the Group, all of which are classified as loans and receivables at amortised cost, comprise:

	2020 £'000	2019 £'000
Cash and cash equivalents	40,724	49,756
Trade and other receivables	15,544	21,924
Total financial assets	56,268	71,680

Cash and cash equivalents include £0.8m (2019: £0.3m) held on account in respect of deposits paid by tenants under the terms of their rental agreement.

Financial liabilities

The financial liabilities of the Group, all of which are classified as other financial liabilities at amortised cost, comprise:

	2020 £'000	2019 £'000
Trade and other payables	116,727	149,603
Finance lease payable	–	272
Lease liabilities	91,478	–
Overdraft	–	9,950
Short-term financial liabilities	208,205	159,825
Long-term borrowings – at fixed interest rates	225,000	225,000
Long-term borrowings – at floating interest rates[1]	158,611	102,000
Bank fees	(2,493)	(3,178)
Lease liabilities	392,310	–
Other payables	1,321	26,077
Long-term financial liabilities	774,749	349,899
Total financial liabilities	982,954	509,724

1 Total financial liabilities attracting interest were £384.0m (2019: £327.0m). Interest is payable at floating interest rates which fluctuate and are dependent on LIBOR and base rate. The average rate of interest charged during the year on the Group's debt was 3.50% (2019: 3.98%).

On 2020 results, net interest was covered 1.40 times (2019: 8.5 times) by earnings before interest, tax, depreciation and exceptional items. Based on year-end debt and earnings for 2020, a 1% rise in interest rates would reduce interest cover to 1.35 times (2019: 8 times).

At 27 December 2020 the Group had a cash balance of £40.7m (2019: £49.8m).

Total Group borrowing facilities consist of a £160.0m revolving credit facility, a £35.0m revolving credit facility, a £225.0m high-yield bond and a £50.0m Coronavirus Large Business Interruption Loan. At 27 December 2020 the Group has £60.0m of committed borrowing facilities in excess of gross borrowings (2019: £118.0m).

The interest rates on the Group's debt facilities are as follows: 3.0% above LIBOR on the £8.6m revolving credit facility; 2.5% above LIBOR on the £160.0m revolving credit facility; a fixed rate of 4.125% on the high-yield bond; and 2.6% above LIBOR on the Coronavirus Large Business Interruption Loan. The maturity dates on the Group's debt facilities are as follows: December 2021 for the £35.0m revolving credit facility; June 2022 for the £160.0m revolving credit facility; July 2022 for the £225.0m high-yield bond; and June 2022 for the £50.0m Coronavirus Large Business Interruption Loan Scheme.

27 Financial instruments and derivatives continued

Secured liabilities and assets pledged as security
The Group has pledged certain assets in order to fulfil the collateral requirements of the revolving credit facility and high-yield bond.

The £160.0m Revolving Credit Facility and £50.0m CLBILS Facility are secured by a fixed charge over the shares of TRG (Holdings) Limited, The Restaurant Group (UK) Limited, Blubeckers Limited, Brunning and Price Limited, and TRG Concessions Limited as well as a floating charge on all present and future assets, property, business undertaking and uncalled capital. The £35.0m Revolving Credit Facility and £225.0m bond facility are secured by a floating charge on all present and future assets of Mabel Mezzco Limited, Mabel Bidco Limited, Wagamama Group Limited, Wagamama Limited, Ramen USA Limited and Wagamama Finance Plc as well as fixed charge on all material property, shares, investments, goodwill and uncalled capital.

The maturity profile of anticipated gross future cash flows, including interest, relating to the Group's non-derivative financial liabilities, on an undiscounted basis, are set out below:

At 27 December 2020

	Overdraft £'000	Trade and other payables excluding tax £'000	Fixed rate loan £'000	Floating rate loan £'000	Finance lease debt £'000	Total £'000
Within one year	–	116,727	9,562	13,995	94,082	234,366
Within two to five years	–	–	229,733	144,616	242,341	616,690
After five years	–	–	–	–	281,759	281,759
	–	116,727	239,295	158,611	618,182	1,132,815

At 29 December 2019

	Overdraft £'000	Trade and other payables excluding tax £'000	Fixed rate loan £'000	Floating rate loan £'000	Finance lease debt £'000	Total £'000
Within one year	9,950	149,875	9,281	5,153	362	174,621
Within two to five years	–	–	239,062	111,780	1,307	352,149
After five years	–	–	–	–	12,951	12,951
	9,950	149,875	248,343	116,933	14,620	539,721

Offsetting financial assets and financial liabilities
Financial assets

	2020 £'000	2019 £'000
Gross amount of recognised financial assets	40,724	62,325
Gross amounts of recognised financial liabilities set off in the balance sheet	–	(12,568)
Net amount of financial assets presented in the balance sheet	40,724	49,757

Fair value of financial assets and liabilities
All financial assets and liabilities are accounted for at cost and the Directors consider the carrying value to approximate their fair value.

(b) Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial losses to the Group. Counterparties for cash balances are large established financial institutions. The Group is exposed to credit related losses in the event of non-performance by the financial institutions but does not expect them to fail to meet their obligations.

27 Financial instruments and derivatives continued

As a retail business with trading receipts settled either by cash or credit and debit cards, there is very limited exposure from customer transactions. The Group is exposed to credit risk in respect of commercial discounts receivable. The Directors make regular assessments of the recoverability of commercial discount receivables based on their knowledge of the customer, historic payments and relevant macroeconomic factors. An appropriate provision will be made if it is considered the amounts will not be recovered, either partially or in full. This is consistent with the previous period. Receivables that are neither past due nor impaired are expected to be fully recoverable. To mitigate the negative impacts of Covid-19, the Group has also taken advantage of the Coronavirus Job Retention Scheme (CJRS). As the scheme is a government initiative, the Directors do not consider this debtor to impact the credit risk of the Group.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represent the Group's maximum exposure to credit.

Subleases
The credit risk in relation to net investment in subleases is subject to the Groups policy and procedures relating to credit risk. As at 27 December 2020, the Group has 17 subleases with a rent receivable balance of £0.60 million. The top five tenants accounted for 59% of the total amount receivable.

The impairment analysis is performed at each reporting date. The credit quality of each tenant is assessed individually to estimate the probability of default for the expected credit loss calculation. The assessment is based on forward looking information of each tenant such as individual financial performance as well as wider economic conditions and monitoring the days past due with respect to outstanding rent. The exposure at default is considered to be the carrying value of the outstanding rent for the remainder of the sublease agreement. If the rent has been past due for more than one year then the full carrying value of rent is considered impaired. The amount is written off if the tenant enters administration and therefore the amount is no longer recoverable. The exposure to credit risk on the Group's net investment in subleases is set out below.

	2020 £'000
Gross amount of net investment in subleases	6,572
Expected credit loss rate	45%
Expected credit loss	2,951
Net amount of financial assets presented in the balance sheet	3,621

(c) Liquidity risk

The Group has built an appropriate mechanism to manage liquidity risk of the short, medium and long-term funding and liquidity management requirements. Liquidity risk is managed through the maintenance of adequate cash reserves and bank facility by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Existing facilities
The Group's revolving credit facilities, mature in June 2022 and December 2021 (as set out in note (a) above). The CIBILS facility matures in June 2022. The Group facilities along with covenant waivers (as detailed in the Directors Report) ensures continuity of funding.

27 Financial instruments and derivatives continued

New facilities

As explained in note 32, the Group has signed up to a new £500.0m debt package. These facilities consist of a £380.0m term loan expiring in Q2 2026, and a £120.0m super senior revolving credit facility expiring in Q2 2025. The term loan is available to the Group to draw upon until 31 May 2021 and together with the new RCF, will be used to repay the current £225.0m bond, £195.0m of revolving credit facilities, and £50.0m of CLBILS facilities. The new facilities contain a minimum liquidity covenant of £40.0m from signing of the agreement until 31 December 2022. There are no other financial covenants until June 2022 when the RCF is tested for a super senior net leverage requiring the drawn RCF funds to be no more than 1.5 times for the last twelve months. From December 2022, the covenant requires total senior debt to be no more than 5.0 times EBITDA and decreasing to 4.0 times by December 2023.

(d) Foreign currency risk

Whereas currency risk previously existed in respect of the Group's operations in the USA, this is now an immaterial risk due to the disposal of a majority stake in those operations during the year.

(e) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations and has been controlled historically through the use of fixed and floating rate debt. The Group's exposure will continue to be monitored and the use of interest rate swaps may be considered in the future. A 1% rise or fall in interest rate will have a £1.5m impact on interest expense (as set out in note (a) above). Based on EBITDA after exceptionals for 2020, the Group has enough coverage for interest rate risk.

28 Capital commitments

	2020 £'000	2019 £'000
Authorised and contracted for:	–	15,153

At 27 December 2020, the Group had commitments of £nil (2019: £15.2m).

29 Contingent liabilities

The Group has assigned a number of leases to third parties that were originally completed prior to 1 January 1996 and are therefore unaffected by the Landlord and Tenant (Covenants) Act 1995 and also a number of leases completed after this date that were the subject of an Authorised Guarantee Agreement. Consequently, should the current tenant default, the landlord has a right of recourse to The Restaurant Group plc, or its subsidiaries, for future rental payments. As and when any liability arises, the Group will take whatever steps necessary to mitigate the costs.

The possibility of any outflow is deemed to be remote, however, we estimate contingent liabilities to be £0.2m (2019: £3.3m), calculated on an undiscounted basis to the end of the lease term.

30 Related party transactions

There were no related party transactions in the 52 weeks ended 27 December 2020 other than those relating to key management personnel.

Remuneration in respect of key management personnel, defined as the Directors for this purpose, is disclosed in Note 5. Further information concerning the Directors' remuneration is provided in the Directors' remuneration report.

31 Associate

During the year, the Group entered into an agreement in respect of the Wagamama USA business. The venture is a 20:80 partnership (with the Group as the minority investor) with the new venture assuming ownership of the existing operations of the US business. The agreement became effective as at 31 January 2020.

The Group did not receive any consideration in respect of the assets and liabilities transferred to the new venture and their fair value was considered to be £nil. Subsequent to the effective date the Group has invested £0.6m in the US business and recognised a share of losses of the associate of £0.6m. The carrying value of the investment on the balance sheet as at 27 December 2020 is £nil resulting from the share of losses from the associate exceeding the investment value.

Since the associate is not material to the Group, detailed financial information on its net assets and results is not disclosed.

32 Subsequent Events

Refinancing

On 1 March 2021, the Group announced that it had successfully signed commitments in relation to £500.0 million of new debt facilities, which comprises a £380.0 million Term Loan Facility, and a £120.0 million Super Senior Revolving Credit Facility. These facilities provide the Group with enhanced liquidity and long-term financing with the maturities of the Term Loan and the RCF being in 2026 and 2025, respectively.

The Term Loan and, as required, an initial simultaneous drawing of the RCF will be used to repay and refinance in full all of the Group's existing debt facilities. Following the utilisation of the new facilities, and the repayment of the Existing Facilities, the Group's financing arrangements will be simplified, as the Group will be consolidated into one finance group at the TRG level which will provide a more efficient funding structure to support the Group's strategic initiatives.

Capital Raise

On 10 March 2021, the Group announced a planned capital raise of £175.0m via a firm placing and placing and open offer. This is subject to a vote at te General Meeting as covered in the Going Concern section of the Financial Review. If approved, the Group will receive the proceeds net of fees in March 2021.

Government Announcements

The Group is reliant on the government actions to control Covid-19 to be able to resume trading for dine-in customers, and is also significantly impacted by Government support packages to aid the hospitality industry.

Company balance sheet

	Note	At 27 December 2020 £'000	At 29 December 2019 £'000
Non-current assets			
Investments in subsidiary undertakings	3	119,779	117,763
Loans to subsidiary undertakings	4	503,650	342,823
		623,429	460,586
Current assets			
Receivables			
Amounts falling due within one year from Group undertakings		–	114,249
Accrued Income		–	1,795
Cash and cash equivalents		16,987	–
		16,987	116,044
Total assets		640,416	576,630
Payables			
Overdraft		–	(9,950)
Amounts falling due within one year to Group undertakings		–	–
Accruals		(1,149)	(226)
		(1,149)	(10,176)
Net current assets		15,838	105,868
Total assets less current liabilities		639,267	566,454
Long-term borrowings	5	(148,649)	(90,637)
Net assets		490,618	475,817
Capital and reserves			
Called up share capital		165,880	138,234
Share premium account		276,634	249,686
Other reserves		(3,255)	(5,271)
Profit and loss account		51,359	93,168
Shareholders' funds		490,618	475,817

The company's loss for the year was £41.8m (2019: profit of £49.4m).

The financial statements of The Restaurant Group plc (company registration number SC030343) on pages 83 to 135 were approved by the Board of Directors and authorised for issue on 10 March 2021 and were signed on its behalf by:

Andy Hornby (CEO)

Kirk Davis (CFO)

Statement of changes in equity

	Share capital £'000	Share premium £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
Balance at 31 December 2018	138,234	249,686	(5,825)	61,251	443,346
Employee share-based payment schemes	–	–	554	–	554
Total comprehensive income	–	–	–	49,441	49,441
Dividends				(17,524)	(17,524)
Balance at 29 December 2019	138,234	249,686	(5,271)	93,168	475,817
Balance at 30 December 2019	138,234	249,686	(5,271)	93,168	475,817
Issue of shares	27,647	26,948	–	–	54,595
Employee share-based payment schemes	–	–	2,016	–	2,016
Total comprehensive loss	–	–	–	(41,809)	(41,809)
Balance at 27 December 2020	165,881	276,634	(3,255)	51,359	490,619

Other reserves represent the Group's share-based payment transactions and the shares held by the Employee Benefit Trust.

Notes to the Company accounts

1 Accounting policies and basis of preparation

Basis of preparation
The Company accounts have been prepared under the historical cost convention and in accordance with UK Accounting Standards. These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. As permitted under FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, business combinations, financial instruments, fair values, presentation of a cash flow statement and certain related party transactions.

Where required, equivalent disclosures are given in the consolidated financial statements.

The financial statements are presented in sterling, rounded to the nearest thousand.

Going concern basis
The financial statements have been prepared on a going concern basis. For further details of the basis of this going concern assessment, please refer to Note 1 of the consolidated financial statements.

Investments
Investments are valued at cost less any provision for impairment.

Long term loan
All loans are initially recognised at fair value of consideration transferred. After initial recognition, interest-bearing loans are measured at amortised cost using the effective interest method, less provisions for impairment. Impairment of financial assets is based on management's estimate of future cash inflows.

Dividends
In accordance with IAS 10 'Events after the Balance Sheet Date', dividends declared after the balance sheet date are not recognised as a liability at that balance sheet date, and are recognised in the financial statements when they have received approval by shareholders.

Share-based payment transactions
The Group operates a share option programme which allows employees of the Group to acquire shares in the Company. The fair value of options granted is recognised as an employee expense in the company in which the employees are employed with a corresponding increase in capital contribution. The Company recognises an increase in the investment held by the Company in the subsidiary in which the employees are employed.

The fair value of the options is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The Stochastic, Black-Scholes and Finnerty valuation models are used to measure the fair value of the options granted, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to market based conditions not achieving the threshold for vesting. Refer to Note 20 in the consolidated financial statements for further details.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and debit and credit cards. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Borrowing costs
Debt is stated net of borrowing costs which are spread over the term of the loan. All other borrowings costs are recognised in the income statement in the period in which they are incurred.

2 Profit attributable to members of the Company

As permitted by section 408 of the Companies Act 2006, a separate profit and loss account has not been presented for the Company.

Remuneration of the auditor is borne by a subsidiary undertaking (refer to Note 4 in the consolidated financial statements).

All costs of employees and Directors are borne by a subsidiary undertaking. At 27 December 2020 the Company employed six persons, being the directors (29 December 2019: six persons). Refer to the Directors remuneration report for further details of remuneration paid for services.

3 Investment in subsidiary undertakings

	Shares £'000	Share Based Payment £'000	Total £'000
Cost and Net Book Value			
At 29 December 2019	91,829	25,934	**117,763**
Share-based payment schemes	–	2,016	**2,016**
At 27 December 2020	91,829	27,950	**119,779**

The Company's subsidiaries are listed below:

	Country of Incorporation	Status	Proportion of voting rights and shares held at 27 December 2020
Leisure & Concessions			
TRG (Holdings) Limited	England and Wales	Holding	100%
The Restaurant Group (UK) Limited	England and Wales	Trading	100%
TRG Concessions Limited	England and Wales	Trading	100%
TRGI Limited	Ireland	Dormant	100%
Caffe Uno Limited	England and Wales	Dormant	100%
Number One Leicester Square Limited	Scotland	Dormant	100%
TRG Leisure Limited (formerly Adams Rib Limited)	England and Wales	Dormant	100%
G.R. Limited	England and Wales	Holding	100%
Strikes Restaurants Limited	England and Wales	Dormant	100%
Black Angus Steak Houses Limited	England and Wales	Dormant	100%
J.R. Restaurants Limited	England and Wales	Dormant	100%
DPP Restaurants Limited	England and Wales	Dormant	100%
Garfunkels Restaurants Limited	England and Wales	Dormant	100%
Frankie & Benny's (UK) Limited	England and Wales	Dormant	100%
City Centre Restaurants (UK) Limited	England and Wales	Dormant	100%
City Hotels Group Limited	England and Wales	Dormant	100%
Est Est Est Group Limited	England and Wales	Holding	100%
Factmulti Limited	England and Wales	Holding	100%

3 Investment in subsidiary undertakings continued

	Country of Incorporation	Status	Proportion of voting rights and shares held at 27 December 2020
Pubs			
Brunning and Price Limited	England and Wales	Trading	100%
Blubeckers Limited	England and Wales	Trading	100%
Ribble Valley Inns Limited	England and Wales	Trading	100%
Wagamama			
Mabel Topco Limited	England and Wales	Holding	100%
Mabel Midco Limited	England and Wales	Holding	100%
Mabel Mezzco Limited	England and Wales	Holding	100%
Mabel Bidco Limited	England and Wales	Holding	100%
Wagamama Finance Plc	England and Wales	Holding	100%
Wagamama Group Limited	England and Wales	Holding	100%
Wagamama Limited	England and Wales	Trading	100%
Wagamama International (Franchising) Limited	England and Wales	Trading	100%
Wagamama CPU Limited	England and Wales	Trading	100%
Wagamama Newco Limited	England and Wales	Dormant	100%
Ramen USA Limited	England and Wales	Holding	100%
Wagamama USA Holdings Inc	USA	Holding	100%
Wagamama Inc	USA	Trading	100%
Wagamama NY 55 3rd LLC	USA	Holding	100%

The Company's operating subsidiaries are registered in England and Wales and the USA, and operate restaurants in the United Kingdom and the USA.

All other subsidiary undertakings are wholly owned by the Company or one of its subsidiaries and are either non-trading or dormant.

4 Loans to subsidiary undertakings

On 24th December 2018, the Company extended a loan to TRG (Holdings) Limited of £199.1m, which is repayable on demand. Interest is payable at 3% plus LIBOR per annum with interest accruing quarterly on to the balance outstanding.

On 24th December 2018, the Company extended a loan to Mabel Midco Limited of £150.4m, which is repayable on demand. Interest is payable at 3% plus LIBOR per annum with payments made quarterly, or capitalised on to the loan balance with agreement from both parties.

On 5th June 2020, the Company assigned £91.0m of it's receivable from The Restaurant Group (UK) Limited in return for a receivable of £48.0m from TRG Concessions Limited, and £43.0m from Brunning & Price Limited. Interest is payable at 3% plus LIBOR per annum with payments made quarterly, or capitalised on to the loan balance with agreement from both parties.

During 2020, the Company recognised an expected credit loss of £9.0m in relation to the loan to TRG Concessions Limited.

On 29th June 2020, as part of the provisions of the CVA of The Restaurant Group (UK) Limited, the company released The Restaurant Group (UK) Limited from £37.6m of its loan owed to the Company which represented 50% of the loan outstanding at that time.

5 Long term borrowings

Total Company borrowing facilities consist of a £160.0m revolving credit facility, and £50.0m CLBILS facility.

The revolving credit facility is committed until June 2022, and has £60.0m of committed borrowing facilities in excess of gross borrowings (2019: £108.0m). The interest rate is a range of 1.5% to 3.0% above LIBOR.

The long term borrowings have been refinanced as announced on 1 March 2021 and details of the new facilities are disclosed in Note 27 to the consolidated financial statements.

6 Subsequent events

Subsequent to the 27 December 2020, the Group has completed a refinancing, announces a proposed capital raise, and has been impacted by several government announcements, please refer to Note 32 of the Consolidated financial statements for more details.

Group financial record

	2020 £'000	2019 £'000	2018 Restated £'000	2017 Restated £'000	2016 Restated £'000
Revenue	**459,773**	1,073,052	686,047	679,282	710,712
Adjusted operating profit	**(49,711)**	91,093	55,402	59,500	78,963
Underlying interest	**(37,745)**	(16,562)	(2,232)	(1,661)	(1,814)
Adjusted (loss)/profit before tax	**(87,456)**	74,531	53,170	57,839	77,149
Non-trading (charges)/credits	**(40,132)**	(111,826)	(39,239)	(29,666)	(134,943)
(Loss)/Profit on ordinary activities before tax	**(127,588)**	(37,295)	13,931	28,173	(57,794)
Tax	**7,700**	(3,111)	(7,049)	(9,827)	(638)
(Loss)/Profit for the year	**(119,888)**	(40,406)	6,882	18,346	(58,432)
Basic earnings per share	**(21.3p)**	(8.2p)	2.4p	6.7p	(29.2p)
Adjusted earnings per share	**(13.4p)**	11.9p	14.7p	16.7p	30.0p
Proposed total ordinary dividend per share for the year	**–**	2.1p	8.3p	14.4p	17.4p
Special dividend per share	**–**	–	–	–	–
Dividend cover (excluding non-trading items and special dividends)	**n/a**	5.7p	1.8p	1.0p	1.7p
Employment of finance					
Property, plant and equipment	**305,614**	335,710	430,631	327,320	354,463
Other non-current assets	**599,493**	617,998	620,854	26,433	26,433
Net current liabilities	**(141,587)**	(111,954)	(97,608)	(79,579)	(79,276)
Long-term liabilities	**(823,800)**	(439,855)	(495,285)	(94,008)	(106,748)
	(60,280)	401,899	458,592	180,166	194,872
Financed by:					
Equity	**311,630**	401,899	458,592	180,166	194,872
Net debt	**(824,182)**	(286,628)	(291,132)	(23,102)	(28,314)
Gearing	**264.5%**	71.3%	63.5%	12.8%	14.5%

The financial statements for the period to 27 December 2020 reflect the adoption of IFRS 16, but comparatives have not been restated. For a description of the impact, refer to Note 1.

Glossary

Adjusted diluted EPS	Calculated by taking the profit after tax of the business pre-exceptional items divided by the weighted average number of shares in issue during the year, including the effect of dilutive potential ordinary shares.
Adjusted EBITDA	Earnings before interest, tax, depreciation, amortisation and exceptional items. Calculated by taking the Trading business operating profit and adding back depreciation and amortisation.
Adjusted EPS	Calculated by taking the profit after tax of the business pre-exceptional items divided by the weighted average number of shares in issue during the year.
Adjusted operating profit	Earnings before interest, tax and exceptional items.
Adjusted profit before tax	Calculated by taking the profit before tax of the business pre-exceptional items.
Adjusted tax	Calculated by taking the tax of the business pre-exceptional items.
EBITDA	Earnings before interest, tax, depreciation, amortisation and impairment.
Exceptional items	Those items that, by virtue of their unusual nature or size, warrant separate additional disclosure in the financial statements in order to fully understand the performance of the Group.
Free cash flow	EBITDA less working capital and non-cash movements (excluding exceptional items), tax payments, interest payments and maintenance capital expenditure.
Like-for-like sales	This measure provides an indicator of the underlying performance of our existing restaurants. There is no accounting standard or consistent definition of 'like-for-like sales' across the industry. Group like-for-like sales are calculated by comparing the performance of all mature sites in the current period versus the comparable period in the prior year. Sites that are closed, disposed or disrupted during a financial year are excluded from the like-for-like sales calculation.
Outlet EBITDA	Pre-IFRS 16 and Exceptional EBITDA directly attributable to individual sites and therefore excluding corporate and central costs.
Net debt	Net debt is calculated as the net of the long-term borrowings and finance lease obligations less cash and cash equivalents.
Trading business	Represents the performance of the business before exceptional items and is considered as the key metrics for shareholders to evaluate and compare the performance of the business from period to period.
TSR	Total Shareholder Return over a period.

Shareholder information

Directors
Debbie Hewitt MBE
Non-executive Chairman

Andy Hornby
Chief Executive Officer

Kirk Davis
Chief Financial Officer

Graham Clemett
Senior Independent Director

Alison Digges
Independent non-executive Director

Alex Gersh
Independent non-executive Director

Zoe Morgan
Independent non-executive Director

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Annual General Meeting
Tuesday 25 May 2021

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