The
Restaurant
Group plc

Annual Report 2021

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.

Contents

FY21 Financial summary

(For the 53 weeks ended 2 January 2022)

- Total sales of £636.6m (2020: £459.8m)
- Adjusted EBITDA profit of £81.2m (2020: £8.7m) on a pre-IFRS 16 basis
- Adjusted Profit before tax of £16.6m on a pre-IFRS 16 basis (2020: loss of £47.9m)
- Statutory loss before tax of £32.9m on an IFRS 16 basis (2020: loss of £132.9m)
- Net debt of £171.6m on a pre IFRS 16 basis (2020: £340.4m). IFRS 16 net debt was £582.0m (2020: £824.2m)

Current trading and outlook

- The Group will continue to report like-for-like sales for FY22 versus 2019 comparables (representing the last full year of comparisons without Covid related disruptions)
- Current trading for the Group has continued to be strong, outperforming the market for the first two months of FY22:

LFL sales (%) vs 2019 comparable for the 8 weeks from 3 January to 27 February 2022

TRG Division	TRG LFL sales	Market* LFL sales	Outperformance vs market*
Wagamama	+21%	+8%	+13%
Pubs	+11%	(3)%	+14%
Leisure	+11%	+8%	+3%
Concessions**	(35)%	(48)%	+13%

- c.95% of electricity and gas volume hedged for 2022
  - c.75% of electricity and gas volume hedged for 2023 and 2024

Management's current expectations for FY22 remain unchanged, although we are mindful about the consequential inflationary impacts arising from the conflict in Ukraine.

Key highlights

The Group is making good progress against its four strategic priorities:

- **Maintain like-for-like sales outperformance versus market**

  Strong like-for-like sales ("LFL") outperformance versus market since reopening for dine-in on 17 May 2021:

  LFL sales (%) vs 2019 comparable for the 33 weeks from 17 May 2021 to 2 January 2022

TRG Division	TRG LFL sales	Market* LFL sales	Outperformance vs market*
Wagamama	+15%	+7%	+8%
Pubs	+9%	(2)%	+11%
Leisure	+14%	+7%	+7%
Concessions**	(41)%	(59)%	+18%

- **Deliver against key financial targets**
  - Recent Wagamama and Pub openings (2019 & 2020) delivering good returns
  - Good progress made towards medium term net debt/EBITDA ("leverage")*** target with FY21 year-end leverage*** at 2.1x
- **Accelerate selective expansion opportunities**
  - Healthy FY22 pipeline of new Wagamama and Pubs openings
- **Drive forward our ESG agenda**
  - Carbon neutral on scopes 1 and 2 in FY22
  - Developing scope 3 emissions reduction plan

* Market refers to Coffer Peach tracker for restaurants (Wagamama and Leisure benchmark) and Coffer Peach tracker for pub restaurants (TRG Pubs benchmark). Coffer peach LFL sales represent the weighted average of weekly LFL sales reported (internal calculation)

** UK air passenger growth used as market benchmark for Concessions

*** Pre-IFRS 16 Adjustment and exceptional charges

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

156*
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 eight delivery kitchens. Trading estate as at 2 January 2022

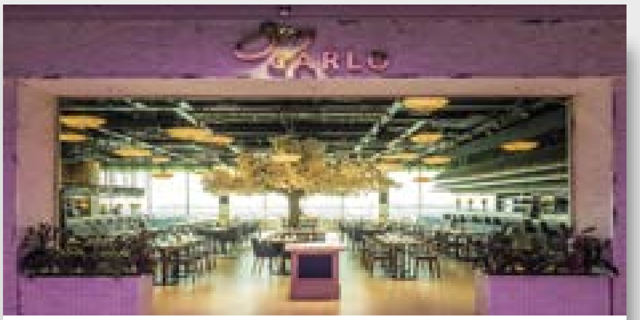
Brunning & Price LIMITED

79*
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.

* Trading estate as at 2 January 2022



trg concessions

44*
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.

* Trading estate as at 2 January 2022

Frankie & Benny's

96* 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'.

* Trading estate as at 2 January 2022. Includes one site trading under the 'est est est' brand

CHIQUITO

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.

* Trading estate as at 2 January 2022

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.

* Trading estate as at 2 January 2022

COAST TO COAST
AMERICAN RESTAURANT & BAR

1* 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 breadth of the USA.

* Trading estate as at 2 January 2022

Overview
Strategic report
Governance
Financial statements

Chairman's statement

> "TRG has made substantial progress in the last year with the successful recapitalisation of the Group and strong trading performance since reopening for dine-in trade."
> **Ken Hanna**
> **Chairman**

I am delighted to have been given the opportunity to join the Board of TRG as Chair, a role which commenced on 1 January 2022. I would like to take this opportunity to thank our former Chair, Debbie Hewitt, for her work with the Board and TRG over the last five years.

During my first few months in the post, I have spent time with fellow Board members and other colleagues familiarising myself with our business. I have been very impressed with what I have seen thus far, affirming my view that TRG has a dynamic and experienced management team operating an excellent range of brands.

TRG has made substantial progress in the last year with the successful recapitalisation of the Group and strong trading performance since reopening for dine-in trade. This positions the Group well despite the inflationary pressures that continue to impact the sector.

The trading results for the year were obviously impacted by the ongoing effects of the Covid pandemic, and the resulting Government restrictions, with dine-in trading only possible from 17 May 2021. We welcomed the essential Government support received through these periods of restrictions, particularly the Coronavirus Job Retention Scheme, which enabled us to protect the employment of our employees whilst our restaurants and pubs were closed.

I would also like to thank all of my new colleagues at TRG, at our Head Office and in our restaurants and pubs nationwide, for their continued hard work and commitment during a very challenging year.

While we have no direct exposure to either Ukraine or Russia, it remains too early to assess the impact on supply chain costs and customer behaviour. We are however doing everything we can to offer support and assistance to our UK based Ukrainian and Russian employees.

Ken Hanna
Chairman

15 March 2022

Business review

> This stronger long-term capital structure provides us with the ability and increased flexibility to execute our four strategic priorities"
>
> **Andy Hornby**
> **Chief Executive Officer**

Introduction

2021 was a year in which the whole TRG team demonstrated remarkable resilience in the face of ongoing disruption from the pandemic and Government restrictions. It is their dedication to serving our customers which allowed us to bounce back strongly, when we could open fully for dine-in trade from the middle of May and deliver a very strong recovery in sales, outperforming the wider market in each of our divisions.

A significant achievement during the year was securing the refinancing and recapitalisation of TRG and in the first quarter we agreed new long-term debt facilities providing the Group with significant financial flexibility over the next four to five years. We received excellent support from our shareholders in raising net proceeds of £166.8 million of new equity capital.

This stronger long-term capital structure provides us with the ability and increased flexibility to execute our four strategic priorities:

- **Maintain like-for-like sales outperformance versus the market:** Making selective investments in our existing estate to enhance our customer offer, as well as supporting our colleagues with increased development opportunities and well-being tools to aid recruitment and retention
- **Deliver against key financial targets:** Driving good sustainable returns on invested capital and remaining firmly on track to achieve our medium-term leverage[1] target of below 1.5x
- **Accelerate selective expansion opportunities:** From new Wagamama and Pubs sites and selectively considering inorganic opportunities that may arise
- **Drive forward our ESG Agenda:** Developing and implementing a detailed plan to deliver on our 2035 carbon net zero ambition and continuing to make positive contributions to our colleagues, customers and communities

1 Pre IFRS 16 Adjustment and exceptional charges

The Board has confidence in the Group's ability to perform against these strategic objectives and deliver long-term sustainable growth for all stakeholders, given the strength of our brands, substantially reduced net debt and trading outperformance versus the market.

We provide more detailed updates our strategic priorities, below:

1. FY21 trading performance since the recommencement of dine-in on 17 May 2021
2. Making good progress towards bringing medium-term leverage target below 1.5x
3. Targeted organic growth plans for FY22
4. Driving forward our ESG agenda

1. FY21 Trading performance since the recommencement of dine-in (LFL sales % vs 2019 comparable for the 33 weeks from 17 May 2021 to 2 January 2022)

Wagamama

Since reopening for dine-in on 17 May 2021, we have seen strong trading with LFL sales growth of 15%, representing an 8% outperformance versus the market. Customer ratings have remained strong with the December 2021 external NPS scores (as measured by BrandVue) positioning Wagamama as the number two brand within the top casual dining chains in the UK.

The key customer initiatives driving the performance have been:

- **Food innovation:** At the beginning of the year in support of Veganuary, Wagamama made a brand commitment that 50% of its menu would be plant-based (vegan or vegetarian) before the end of the year. In October we achieved this goal with the launch of a new menu incorporating new plant-based dishes such as our vegan ramens and vegan takes on some of our most popular items including "vegan chilli squid". Vegan participation has increased by +5% to >20% since introducing our plant pledge. Looking forward to 2022, we're excited to be introducing new plant-based dishes and ingredients with the launch of our summer menu.

- **Marketing:** We are continually evolving our marketing tactics with purpose-led campaigns and initiatives to ensure we stay relevant and current. We have worked with celebrities in order to tap into complementary passion points (i.e. football and music) for our gen-z and eco-millennial audience, continuing to build relevancy and brand equity. Regional and local activation plans remain a crucial part of our plan, and we continue to encourage sites to 'own their mile' and have a positive presence in their local communities.
- **Delivery and takeaway:** Given trading restrictions through the pandemic, we have seen an acceleration of the structural shift of both new and existing customers enjoying delivery and takeaway with our sales mix from these two channels combined increasing from 16% in 2019 to 28% in 2021. LFL delivery sales were up 114% and LFL takeaway sales up 76% in the period (33 week period ending 2 January 2022). This strong performance was aided by dedicated operations resource, insight tools and ensuring over 90% of our menu is offered on delivery. We will continue to make investment to improve operational efficiency and reconfigure sites to improve the delivery operation where possible.

Pubs

We have seen a consistent outperformance versus the market and continued strong trading with LFL sales growth of 9%, representing a 11% outperformance versus the market. Customer sentiment remains strong with social media scores (consolidation of Google, Facebook and Tripadvisor scores) averaging 4.51/5 for 2021, our highest rating over the past five years.

The key operational initiatives driving the performance have been:

- **Maximising opportunities from external trading:** Developed more than 30 covered outside areas using stretch tents and marquees to facilitate external dining all year round. The installation of stretch tents gives more scope to extend our drinks festivals throughout the year and explore non-summer events such as Oktoberfest and Christmas markets.
- **Enhancements to food and drink offer:** There has been a refocus post Covid on increased localisation and premiumisation on our menus. Within each section we have trialled providing more premium options and "when they're gone, they're gone!" blackboards to encourage increased participation and spend.

Leisure

The business has delivered an encouraging trading performance, achieving LFL sales growth of +14%, outperforming the market by 7%. Our partnership with Yumpingo has provided greater customer insight on both customer service standards and dish feedback, and we have seen an improving trend on NPS scores (as measured on the Yumpingo platform) for both Frankie & Benny's and Chiquito.

The key customer initiatives driving the performance have been:

- **Significant investment in food quality:** Our focus has been on improving food quality with new menus launched across all of our brands in May. We made investments across our range including fresh burger patties, better-quality steaks and ribs and a new pizza dough. Additionally we reduced the menu content by c.20% to help improve operational execution and reduce complexity.
- **Delivery and takeaway:** The delivery business has been transformed over the past 18 months due to a combination of customer habits changing due to Covid and the investment in our online delivery brands which represent c. 55% of the delivery sales mix. Delivery and takeaway sales now account for 17% of sales (for the 33-week period ending 2 January 2022) compared to only 5% in 2019. LFL delivery sales were up 389% and LFL takeaway sales up 31% in this period.

We will also look to trial some targeted capital refurbishments across 10-15 sites in our Frankie & Benny's estate. The sites selected will be based on a number of factors including market capacity, delivery mix, competition and age of the current fit out. The focus of the refresh will be on external works to improve kerb appeal, customer facing areas such as seating & bar areas with targeted replacement of kitchen equipment as required. We expect to spend approximately £250,000 per site. If the trial sites generate a good return on capital, we will explore further opportunities to invest in the estate.

Concessions

The international travel sector had an incredibly challenging year due to ongoing changes in Government restrictions and the associated cost of Covid testing.

Our focus in the year was on a measured reopening programme, only opening in locations with sufficient passenger volumes to support a positive commercial outcome. We also achieved more flexible terms with the vast majority of airport partners with regards to minimum guaranteed rents (MGRs) and mothballing fees. In addition, we have flexed our operating hours to match departing flight times in order to minimise costs whilst ensuring we offer a great service.

LFL sales declined by 41%, 18% ahead of the passenger volume decline in the period (for the 33-week period ending 2 January 2022). Sales have benefited from a higher average spend per passenger (due to longer dwell times and the benefit of a reduced VAT rate) and reduced competition as other food and beverage operators manage their reopening profile. We expect the level of out-performance to reduce as competitors reopen more sites and VAT reverts to 20%.

We currently have 27 sites open, representing c.60% of our total estate. Our opening plans for the remaining estate is dependent on passenger volume recovery and discussions with airport partners on terminal reopening's. With the recent encouraging news that restrictions and testing requirements are being relaxed, we currently expect to open the majority of the remaining estate over the summer in FY22.

2. Making good progress towards bringing medium-term leverage target below 1.5x

The Group made good progress during the year towards its medium-term leverage target with FY21 year-end leverage[2] (net debt/EBITDA) standing at 2.1x.

The equity capital raise, strong EBITDA recovery in the second half of the year and disciplined capital investment all contributing to the significant reduction in net debt in the year.

With the good progress made, the Group has repaid £45m of term loan on 15 March 2022, maintaining further flexibility to pay a further £44m at par before November 2022.

There is further detail in the financial review section on other key movements in the cashflow.

3. Targeted organic growth plans for FY22

The strength of trading of our Wagamama and Pubs businesses since reopening has strengthened our belief on the site roll-out potential for both businesses.

We continue to apply a highly selective approach to opening new sites, based on a methodical, data-driven approach and a capital expenditure investment appraisal that carefully evaluates and scores its key selection criteria, including demographic and competitive dynamics.

Recent openings in 2019 and 2020 have delivered good returns with:

- Wagamama UK restaurants (excluding delivery kitchens) having delivered over 45% returns on invested capital[3] (consisting of 10 new openings)
- Wagamama UK delivery kitchens having delivered over 60% return on invested capital[3] (consisting of five new openings)
- Pub restaurants having delivered over 20% return on invested capital[4] (consisting of three new openings)

2 Pre IFRS 16 Adjustment and exceptional charges
3 Return on invested capital (ROIC) defined by 2021 outlet EBITDA/initial capex invested grossed up for 12 months. i.e. 2021 outlet EBITDA is for the 7 month period June to December 2021. Returns have also been adjusted to take out the VAT benefit and property grants received in the respective period
4 Pub restaurants returns EBITDA assumed on leasehold basis at 6% interest on freehold component of investment

We continue to make good progress and our expansion plans for our UK openings in FY22 are outlined in the table below:

	Existing estate	New openings target annual run-rate	2022 planned openings
Wagamama UK restaurants	148	5-7	**7-9**
Wagamama UK Delivery kitchens	8	4-5	**4-5**
Pubs	79	3-5	**3**

With regard to the Wagamama International business we expect to open three to four new US sites under our JV partnership with the first two sites expected to be in Atlanta and Tampa. We also expect to open five to eight new international franchise sites predominantly in Italy and the Middle East.

We will remain disciplined in the way that we grow the estate, focusing on delivering good sustainable returns for our shareholders.

4. Driving forward our ESG agenda

'Preserving The Future' is TRG's programme that shapes and drives our Environmental, Social and Governance (ESG) agenda. We are committed to operating ethically and sustainably and the programme focuses on continuously finding ways to reduce our carbon footprint, improve our packaging, to further contribute to our communities and to improve the health and wellbeing of our colleagues and customers, all of which is underpinned by a strong governance framework.

Environmental initiatives overview

After having spent considerable time in the year assessing and compiling the appropriate data, in collaboration with the Zero Carbon Forum for Hospitality, we now have visibility of our emissions across all scopes allowing us to build a programme of activity focused on short, medium and long term decarbonisation, in order to achieve our ambition of being net zero carbon emissions by 2035.

We recognise the significant challenge of reaching net zero and are focused on a number of environmental initiatives to reduce our impact, including:

- On 1 October 2021, we completed the move of all[5] our directly controlled supplies of electricity, gas and LPG used in our Wagamama, Pubs and Leisure divisions to renewable sources and all residual emissions from this particular scope will be offset by carbon removal reforestation projects from FY22. Carbon emissions from these scopes (i.e. scope 1 and 2) represent c.15% of our total carbon emission footprint

5 Includes electricity, gas & LPG. Where we control the specific supply point for contracting. Excludes landlord supplies

Business review continued

- Reducing energy consumption through ongoing activities that baseline usage per site, sets targets and drives ongoing consumption reduction through operational best practice and with the adoption of monitoring technologies that drive efficiency
- Reducing plate waste through a partnership with the Sustainable Restaurant Association that identifies menu ingredients that contribute most food waste so we can adapt menu design accordingly
- We have a new waste framework with our partners, that over the next three years aims to increase waste recycling by 16% to 71%, with an ambition to increase it by 6% in 2022
- Continuing to evolve our packaging with a new lower plastic packaging content range launching in 2022 for Wagamama with the ambition of reducing plastic packaging by at least 30%
- Our 'Bowl Return Scheme' trial in Brighton Wagamama that encourages recycling has been well received by our customers and we are looking at rolling it out more widely this year

We have worked with the Zero Carbon Forum to develop the high-level industry roadmap to net zero for Scope 3 and are using this as a starting point to develop our own specific roadmap and plan. Their sectoral guidance suggests a 70% reduction in emissions is possible with the residual 30% of emissions being offset. It should not be under-estimated though that this is a multi-year programme through to 2035 and that residual emissions will need to be off-set from 2035.

Social initiatives overview

Our charity partners are 'Mind' and 'Young Minds' (Mental Health Charities) and 'Only a Pavement Away' (A Homelessness Charity). We support our charities through a variety of fundraising activities and are donating profits from our retail range in Wagamama. We are also supporting our homelessness charity by providing employment opportunities and a skills hub that offers hospitality training. Through a combination of colleague led fundraising, company matched programmes, and contributions from our retail product range we are aiming to raise up to £500,000 in 2022.

In 2021 our Apprenticeship programme provided practical skills, experience and qualifications for over 240 apprentices across front of house, back of house, management and commercial roles and we are aiming to double the number of apprenticeships to over 500 apprentices in total in 2022. This will equip our graduates from the Apprenticeship programme with the equivalent qualifications ranging from 5 GCSEs right up to degree level.

Our role to provide a diverse and inclusive environment with a strong sense of purpose has never been more important. We have launched a range of engagement initiatives, led by colleague groups, which provide information, awareness and learning sessions to promote an inclusive workplace with appropriate recruitment, leadership and behaviours. Additionally, we partner with The Burnt Chef Project, a not-for-profit organisation who specialise in improving the wellbeing of those within the hospitality profession and challenging the stigma of mental health. We work with them to deliver mental health training to our managers and to put in place effective practices which improve wellbeing.

Reflecting the progress we have made in 2021, the Sustainable Restaurant Association awarded a three-star rating to each of our divisions, representing the highest rating attainable. The assessment areas focus on sourcing, society and the environment reflecting the importance of sourcing and serving food well. This is a significant progression on our 2019 ratings where we achieved a three-star rating for our Pubs division, two-star for our Leisure and Concessions division and one star for Wagamama.

We acknowledge the important role TRG plays in global climate and societal change. Our "Preserving The Future" programme is a continuous journey to establish environmental, social and governance best practice in everything we do.

Andy Hornby
Chief Executive Officer

15 March 2022

Financial review

“From full reopening, the business has traded very strongly, and we have been delighted with the performance of all our divisions outperforming their respective markets, which gives us confidence in our ability to trade relatively well into 2022”

Kirk Davis
Chief Financial Officer

The impact of Covid continued to have a significant impact on the performance with the business operating only on delivery and takeaway in our Wagamama and Leisure businesses, through to ‘outside dining’ trade and full trading from 17 May 2021. The results for this year therefore represent only seven months of unrestricted trading when also allowing for the effect of the Omicron variant in December 2021. In addition, international air travel volumes have been significantly depressed throughout the whole period.

From full reopening, the business has traded very strongly, and we have been delighted with the performance of all our divisions outperforming their respective markets, which gives us confidence in our ability to trade relatively well into 2022.

We welcomed the invaluable government support through this period in the form of the reduced VAT rate, the business rates holiday and property grants. In a period where our team members, operations and financial performance were significantly impacted by the pandemic, these measures, along with the Coronavirus Job Retention Scheme, enabled us to protect the employment of our employees.

Statutory Results

The key statutory financial measures (IFRS 16) are summarised below and are stated after the impact of exceptional costs:

	Statutory Results (IFRS 16)	
	53 weeks ended 2 January 2022 £m	52 weeks ended 27 December 2020* £m
Revenue	**636.6**	459.8
Operating profit/(loss)	**14.1**	(95.1)
Operating margin	**2.2%**	(20.7%)
Loss before tax	**(32.9)**	(132.9)
Loss after tax	**(38.4)**	(124.2)
Statutory EPS (pence)	**(5.3)p**	(22.1)p

* Restated

Revenue for the year was £636.6m (2020: £459.8m) which represents an increase of 38.5% on the prior year. The comparison between the two periods is complicated by the impacts of the pandemic and various Government restrictions in place across the hospitality sector during both years, with the increased ability to trade in 2021 the primary driver for the increase year-on-year.

Following the removal of restrictions in May to early December, we are particularly pleased to have delivered strong LFL sales growth across our Wagamama, Pubs and Leisure businesses with all our businesses (including Concessions) outperforming their respective markets.

Statutory operating profit increased substantially to £14.1m compared to an operating loss of £95.1m in 2020. These figures include the impact of exceptional items which significantly reduced from £45.4m to £24.9m. The remainder of the increase was due to the increased ability to trade across the business in 2021, disciplined cost control and the benefit of Government assistance noted above. Interest costs (including the impact of IFRS 16) rose to £47.0m from £37.8m due to an increase in the effective interest rate, a higher gross debt, and an exceptional write off of fees on the prior facilities of £1.9m.

Alternative Performance Measures

TRG uses a number of non-statutory measures to monitor business performance which are referred to within the Annual Report, but primarily relate to Adjusted and pre-IFRS 16 profit metrics. This is because the pre-IFRS 16 profit is consistent with the financial information used in the management accounts to inform business decisions and investment appraisals. It is our view that presenting the information on a pre-IFRS 16 basis will provide a useful basis for understanding the Group's results to all stakeholders. Specifically, the measures mainly relate to three adjustments:

- The main profit measure used is Adjusted EBITDA. This is not a statutory measure but closely represents the Group's ability to make cash trading profits as it excludes key non-cash elements of the Income Statement such as depreciation and amortisation.
- The adjusted profit and debt measures are based on the IAS 17 approach to lease accounting and does not include the impact of IFRS 16. This is used as it more closely represents the cash profit of the business, and the debt as measured by our banks.
- The adjusted profit measures are quoted excluding the impact of items that management have deemed as exceptional as they are material and not related to underlying trading.

As these measures are not defined by accounting standards, they may not be comparable across companies. The adjusted results may exclude significant costs (such as restructuring or impairments) and so may not be a complete picture of the Group's financial performance, which is presented in the statutory results. Full definitions of the APMs are included in the Glossary to the Annual Report.

The key alternative performance measures (APM) are summarised below. Both pre-IFRS 16 and IFRS 16 figures are shown and are stated before the impact of exceptional costs:

	APM (Pre-IFRS 16)		APM (IFRS 16)	
	53 weeks ended 2 Jan 2022 Pre-IFRS 16 £m	52 weeks ended 27 Dec 2020[2] Pre-IFRS 16 £m	**53 weeks ended 2 Jan 2022 IFRS 16 £m**	52 weeks ended 27 Dec 2020[2] IFRS 16 £m
Revenue	**636.6**	459.8	**636.6**	459.8
Adjusted[1] EBITDA	**81.2**	8.7	**115.2**	53.4
Adjusted[1] operating profit/(loss)	**42.8**	(30.5)	**37.1**	(49.7)
Adjusted[1] operating margin	**6.7%**	(6.6%)	**5.8%**	(10.8%)
Adjusted[1] profit/(loss) before tax	**16.6**	(47.9)	**(8.0)**	(87.5)

1 The Group's adjusted performance metrics are defined within the glossary at the end of this report. All such adjusted measures are stated pre-exceptional items
2 Restated

Adjusted EBITDA (pre-IFRS 16) for 2021 is £81.2m (2020: £8.7m). The Group generated an Adjusted EBITDA loss (pre-IFRS 16) of £18.1m in the first quarter, whilst in lockdown and only being able to trade for delivery and takeaway. As mentioned above, we saw strong LFL sales growth and EBITDA delivery across our Wagamama, Pubs and Leisure businesses once we were able to reopen for dine-in.

The Group made a profit before tax (pre-IFRS 16) for the year of £16.6m (2020: loss £47.9m).

Refinancing and Equity Raise

During February 2021, the Group successfully agreed a £500.0m debt package which consisted of a five year £380.0m term loan through to 2026, and a four year £120.0m super senior revolving credit facility through to 2025.

In March 2021, the Group successfully raised net proceeds of £166.8m of equity from its supportive shareholder base through a placing and open offer with the aim to give us the liquidity needed to withstand further trading restrictions, to invest in growing the business over the medium term and to deliver good sustainable shareholder returns.

In May 2021, the Group drew down £330.0m of the term loan facility which reduced the total available facilities to £450.0m. Given the strong recovery of EBITDA and lower net debt, the Group has repaid £45.0m of the term loan on 15 March 2022. The Group currently has £405.0m of available debt facilities.

Capital allocation framework

The Group remains disciplined in its approach to capital allocation with the overriding objective being to enhance shareholder value. The Group's capital allocation framework prioritises.

Priorities	Parameters
(1) Investment in customer offer	Refurbishment and maintenance capex within a range of £25m to £35m
(2) Maintain a strong balance sheet	Target leverage[1] below 1.5x in the medium term
(3) Wagamama and Pubs new site expansion	Deliver against targeted returns criteria: • Wagamama >40% ROIC • Pubs >20% ROIC
(4) Selectively consider inorganic growth opportunities	Deliver long-term shareholder value

1 Net debt to EBITDA ratio (Pre-IFRS 16 Adjustment and exceptional charges).

Cash flow and net debt

Net debt on an IFRS 16 basis has fallen from £824.2m to £582.0m in the year, a fall of £242.2m. The key driver of this reduction has been the injection of £166.8m of equity from the capital raise in March 2021. Secondly, the reduction in lease liabilities of £73.4m is due to both the renegotiations of existing airport rent contracts to remove minimum payments and making them more flexible in line with passenger numbers, and payments of lease liabilities in the year.

Pre-IFRS 16 net debt has decreased from £340.4m to £171.6m, a reduction of £168.8m. As mentioned above this is due primarily to the capital raise. Free cash flow increased to £44.7m (2020: outflow £50.6m) following an increase in Adjusted EBITDA to £81.2m (2020: £8.7m) and a reduction in maintenance and refurbishment capex to £19.0m (2020: £21.9m), offset by an increase in interest costs to £20.6m (2020: £15.5m).

Development capital expenditure of £15.1m (2020: £17.9m) related primarily to opening four new Wagamama restaurants, two Wagamama delivery kitchens, and, one freehold pub. There were also some costs relating to the completion of five new Concession sites in the redeveloped Manchester Airport terminal.

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

	2021 £m	2020 £m
Adjusted EBITDA (Pre-IFRS 16 basis)*	**81.2**	8.7
Working capital and non-cash adjustments	**5.7**	(27.0)
Operating cash flow**	**86.9**	(18.3)
Net interest paid	**(20.6)**	(15.5)
Tax (paid)/received	**(2.6)**	5.1
Refurbishment and maintenance expenditure	**(19.0)**	(21.9)
Free cash flow	**44.7**	(50.6)
Development expenditure	**(15.1)**	(17.9)
Utilisation of onerous property cost provisions	**(13.4)**	(9.3)
Exceptional costs	**(7.4)**	(34.9)
Proceeds from issue of share capital	**166.8**	54.6
Other items	**(1.6)**	3.3
Cash movement	**174.0**	(54.8)
Net Debt (Pre-IFRS 16 basis)		
Group net debt brought forward	**(340.4)**	(286.6)
Derecognition of finance lease liability (IFRS 16 transition)	**–**	2.6
Non-cash movements in net debt	**(5.2)**	(1.6)
Group net debt carried forward (Pre-IFRS 16 basis)	**(171.6)**	(340.4)
Incremental lease liabilities (IFRS 16)	**(410.4)**	(483.8)
Group net debt carried forward (IFRS 16 basis)	**(582.0)**	(824.2)

* The Group's adjusted performance metrics are defined within the glossary at the end of this report. All such adjusted measures are stated pre-exceptional items

** Operating cash flow excludes certain exceptional costs and includes payments made against lease obligations

At year end, the Group had cash headroom of £258.1m (2020: £118.7m) consisting of £111.6m of undrawn revolving credit facilities (2020: £78.0m) and a cash balance of £146.5m (2020: £40.7m) which provides the Group with significant liquidity to fund both the operations of the Group and future new openings for both our Wagamama and Pubs businesses.

Exceptional items

An exceptional pre-tax charge of £24.9m has been recorded in the year (2020: £45.4m).

Exceptional items consist of:

- Impairment of assets of £25.9m (2020: £142.9m). The impairment charges relate to:
  - £19.6m due to trading in certain locations, primarily relating to sites in our Concessions business
  - A charge of £6.3m relating to the write down of assets on closed sites
- A credit of £4.5m (2020: credit of £100.7m). The key elements are rent concessions achieved of £15.1m, lease liabilities exited totalling a net credit of £4.9m, partially offset by onerous property cost provisions of £8.6m, payments to exit sites of £2.7m, staff redundancies of £2.7m, and other costs of £1.5m.
- A cost of £1.9m (2020: £Nil) for loan facility fees relating to the prior debt facilities written off on refinancing.
- Professional fees of £1.6m (2020: £3.2m) relating to corporate financing and restructuring activity.

The tax credit relating to these exceptional charges was £2.6m (2020: £1.5m).

Cash expenditure associated with the above exceptional charges was £7.4m in the year (2020: £33.7m) 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 tax charge for the year was £5.5m (2020: credit of £8.7m), summarised as follows:

	2021			2020		
	Trading £m	Exceptional £m	Total £m	Trading £m	Exceptional £m	Total £m
Corporation tax	0.7	(0.7)	–	(9.5)	–	(9.5)
Deferred tax	(2.6)	10.3	7.7	(2.3)	3.3	1.0
Total	(1.9)	9.6	7.7	(11.8)	3.3	(8.5)
Adjustments in respect of prior years	(2.4)	0.2	(2.2)	(0.2)	–	(0.2)
Total tax (credit) / charge	(4.3)	9.8	5.5	(12.0)	3.3	(8.7)
Effective tax rate (excluding prior years adjustments)	23.8%	(38.6%)	(23.4%)	13.5%	(8.2%)	6.7%
Effective tax rate	53.8%	(39.4%)	(16.7%)	13.7%	(8.2%)	6.8%

Given that the Group has made a statutory loss in both the current and prior periods, the effective tax rate is not indicative of future expected tax rates. It is also worth noting that the Group has further statutory losses and interest restrictions worth £19.8m which will reduce future cash tax payments over the next two to three years.

The effective adjusted tax rate for the year was 53.8% compared to the 13.7% in the prior year. In the current year, we have had an increase in the tax credit following a review of the tax treatment for corporate activities undertaken and an updated capital allowances claim, resulting in a lower tax charge for prior years which has been reflected in these accounts. Excluding these benefits, the effective tax rate is 23.8% (2020: 13.5%). Consistent with prior years, the tax rate is higher than the UK corporation tax rate due to non-deductible expenses primarily relating to depreciation on non-qualifying assets.

The current year exceptional tax charge of £9.6m consists of a £12.2m charge relating to the change in the tax rate from 19% to 25% in April 2023 which increases the value of the deferred tax liability, offset by £2.6m of tax credits from the exceptional costs.

Key inflationary themes FY22

There are some well-documented sector wide cost challenges for the year ahead, as outlined below:

All inflation figures below are stated as their incremental impact in FY22 vs FY21 post mitigating activities.

- Labour market pressures: as widely reported the economy is at near full employment and there is well over 1 million vacancies in the UK. This shortage of labour across the UK is leading to upward pressure on wage rates in addition to the above inflationary increase in the National Living Wage (NLW) from April 2022 of 6.6%.
- General food & drink inflation: is driven by global commodity markets and supply chain pressures that are expected to continue into 2023. This is expected to result in cost inflation of 5%+ for FY22 before any consequential inflationary impacts arising from the conflict in Ukraine.
- Utilities inflation: Material market-driven increases in electricity and gas will cost the Group an additional £6.0m to £7.0m in FY22.

There are a number of actions the Group is taking to mitigate the significant effects from the elevated levels of cost inflation expected for the current year:

- Revised labour deployment model to manage the evolving sales mix across dine-in and delivery sales
- Continuing to work with our supply chain partners to leverage the scale of the business based on both volume growth and new site openings
- c.95% of electricity and gas volume now hedged for 2022
- c.75% of electricity and gas volume hedged for 2023 and 2024

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 three-year period to December 2024.

The Directors believe that three 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. Management have prepared, and the Board has considered two key scenarios:

- A 'base case' where the business is allowed to trade normally throughout the period without further trading restrictions, specifically the Group has forecast sales like-for-like performance to be broadly in line with the levels seen in the 33 weeks since trading resumed on the 17 May 2021, and cost inflation of c.5%. The Concessions business is forecast to return to pre-pandemic levels in 2024 in line with current air passenger forecasts.
- A 'stress case' whereby the company is impacted by further variants of the Covid-19 in winter 2022, 2023 and 2024 to the same severity as the recent Omicron strain, sales are further reduced by 5% across the entire period (outside of variant impact), and cost inflation is higher than in the base case by 1%.

As detailed in the Risk Committee report, 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 the creation of the 'stress case' which management believe to be a severe but plausible scenario based on past experience.

Taking account of the company's current position, principal risks facing the business and the sensitivity analysis discussed above, 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 expects that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period of assessment.

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

Kirk Davis
Chief Financial Officer

15 March 2022

Section 172 statement

This section 172 statement sets out the factors considered by the Board in carrying out its duty to promote the success of the Company for the benefit of its shareholders.

Background

Section 172 of the Companies Act 2006 (the "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 decision 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 the 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.

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 ongoing Covid-19 pandemic and the various lockdowns and restrictions placed on the hospitality industry during 2021, 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 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 extensive discussions with our major shareholders prior to the capital raising in March 2021 and our debt lenders in advance of the refinancing in March 2021. 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 the Covid-19 pandemic

2021 was another challenging year for the hospitality sector and the wider economy. The Board acted to ensure the health and safety of our guests and colleagues, particularly during the reopening of our estate following the lockdown in the first part of the year and the arrival of the Omicron variant in late autumn. Decisive actions were taken in response to the pandemic and the impact of Government restrictions, supply chain issues and general economic uncertainty.

Key decisions taken by the Board included:

- continuing to limit costs, particularly during the national lockdown;
- operating approximately 200 sites for delivery and takeaway during the national lockdown;
- accessing Government support where appropriate, including the Coronavirus Job Retention Scheme ('CJRS'), reduced VAT and business rate relief;
- delivering an accelerated reopening plan for dine-in trading (once the restrictions for hospitality businesses ended) for the Wagamama, Pubs and Leisure businesses and managing the reopening of certain Concession sites based on passenger numbers.

In taking all of these decisions, the Board was mindful of the long-term interest of the Company and its stakeholders, particularly the matters set out in s. 172(1)(b), (c), (e) and (f).

Long-term debt refinancing

In light of the Covid-19 crisis and its impact on the Group and the wider economy, the Board was keenly aware of the need to secure long-term debt funding.

In March 2021, we secured £500.0m of new debt facilities (the "New Facilities"), comprising a £380.0m Term Loan Facility (the "Term Loan"), and a £120.0m Super Senior Revolving Credit Facility (the "RCF"). 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. The Term Loan and, as required, an initial simultaneous drawing of the RCF were used to repay and refinance in full all of the Group's existing debt facilities, namely the Company's existing revolving credit facility, the CLBILS Facility, the Wagamama Notes and the Wagamama revolving credit facility (the "Existing Facilities"), which were all due to reach maturity by July 2022.

The New Facilities also allowed the Group to be consolidated into one finance group which provides a more efficient funding structure to support the Group's strategic initiatives.

The Board considered carefully the need for flexibility to cope with short-term uncertainties about possible Covid-related lockdowns and the Company's ability to repay the New Facilities over the longer term. The New Facilities' covenant package provides significant covenant headroom during 2021 and 2022. Both the Term Loan and the RCF are also subject to a margin ratchet which allows the Group's cost of debt to decrease according to prevailing net leverage. Further, the Term Loan 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 Board concluded that it would most likely promote the success of the Company in the long term for the benefit of its members as a whole, to enter into the New Facilities. In taking these decisions, the Board considered matters set out in s. 172(1)(a) to (e).

£175m capital raising

Also in March 2021, the Board proposed a £175m underwritten capital raising ("Capital Raising"), which was approved by c. 99% of shareholders voting at the General Meeting of the Company held on 29 March 2021. The Board felt that Covid-19, the associated restrictions, and its future possible duration, would materially impact the Group's ability to reduce leverage organically or support selective growth opportunities in the medium term.

Having considered a number of different scenarios, and in particular a "reasonable worst case" scenario, and the impact these might have on TRG's financial position, the Board believed the Capital Raising would be most likely to promote the success of the Company for the benefit of its members. Having regard to the Group's strategic objectives, the Board proposed that the net proceeds from the Capital Raising would be used to improve TRG's liquidity headroom to protect against any potential resurgence of the Covid-19 pandemic, accelerate TRG's deleveraging and strengthen TRG's flexibility to capitalise on selective site expansion in its Wagamama and Pubs businesses.

The Board had explored selective asset disposals as an alternative to the Capital Raising, however, based on extensive work, the Board believed that it was not in the best interest of shareholders based on prevailing multiples at the time. Any disposals would not achieve best value for shareholders and might have long-term implications for Management's flexibility to pursue its strategy. Accordingly, the Board concluded that the most appropriate course of action to reduce debt and leverage in the medium term was to raise equity.

The Board also had to balance the need to secure additional funding, including from institutions and large investors, with the need to act fairly as between members of the Company. As a result, the Capital Raising was split into a Firm Placing of 95,299,430 New Ordinary Shares, on a non-pre-emptive basis, and a Placing and Open Offer of 79,700,570 New Ordinary Shares in which existing shareholders had the opportunity to participate pro rata to their holdings.

In taking the decision to propose the Capital Raising, the Board considered the matters set out in s. 172(1)(a) to (f).

Environmental and Social report

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 this report:

- information on environmental matters (page 18)
- information on our employees (from page 21)
- information on social, community and human rights matters (page 23)
- information on anti-corruption and anti-bribery (page 22)
- information on diversity (pages 21 and 22, and in the Corporate Governance report on page 27).

We are committed to doing business responsibly and acknowledge that the 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 in 2021 relating to the environment, our food and drink offering, and our people and communities.

'Preserving The Future' is the Group's programme that shapes and drives our Environmental and Social agenda. We are committed to:

- operating ethically and sustainably;
- continuously finding ways to reduce our carbon footprint;
- further contributing to our communities; and
- improving the health and wellbeing of our customers and colleagues.

To drive progress and ensure strong governance is in place, our Preserving the Future programme has Executive sponsorship, a Steering Committee made up of Divisional leadership, including heads of key functional areas, and a dedicated head of sustainability and programme lead. TRG is accelerating business-wide environmental and social initiatives in a coordinated and target-driven programme. As founder members of the Zero Carbon Forum and co-chair of the emissions working groups (for scopes 1 and 2) we play an active role in developing sector-wide plans to reduce emissions across the value chain and are committed to net zero carbon emissions by 2035.

We have outlined activity around key areas below:

1. Reducing our utilities consumption and associated carbon emissions;
2. Driving down carbon emissions in our supply chain;
3. Reducing our food waste and packaging;
4. Sourcing ethical, sustainable and healthy produce; and
5. Supporting our colleagues and the community.

Reflecting the progression of our Environmental and Social agenda, we have compiled a Sustainable Accounting Standards Board (SASB) report for the first time. The SASB framework consolidates a set of widely recognised metrics and can be found in the Governance section of our website: https://www.trgplc.com/governance/policies

Taskforce for Climate-related Financial Disclosure (TCFD)

The Restaurant Group recognises the value that the Taskforce for Climate-related Financial Disclosure (TCFD) will bring to climate-related risk management and to both the identification and mitigation of risk. We provide an update on TCFD disclosures in the table below, and as part of the process we can confirm that we align with the key recommendations related to:

- Executive-level accountability and reporting;
- Climate-related risk assessment and management; and
- Environmental performance metrics.

Governance	Strategy	Risk Management	Metrics & Targets
The Restaurant Group has a Risk Committee to cover all risks to the business which reports to the Audit Committee and, through it, ultimately to the Board. The Company recognises the need to reduce its impact on climate change and has set up the Preserving the Future programme and Steering Committee to ensure we take the relevant action to do this by setting and tracking climate-related targets. The Board has overall responsibility for risk management, while the Audit Committee has been delegated responsibility for the regular review of risk management procedures At least three members of the Senior Management team are members of the Risk Committee. Individual risks will be assigned functional owners. 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. Any material climate-related risks that are identified will be captured on the Group Risk Register.	We have considered physical and socioeconomic risk. This takes into account risk to our property estate, supply chain, employees and proposition. We do not consider the climate-related risks as material at this time. However, we are taking reasonable steps to ensure this remains the case. This will be done by regular reviews in the Preserving the Future Steering Committee, and any initiatives will be tracked through the relevant working groups. Actions that the Group is taking to mitigate the future impacts of climate-related risks include using resources efficiently, ongoing review of energy source sustainability, product reviews, assessing emerging sustainable market opportunities and innovation, and building resilience into our supply chain.	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. If identified, climate-related risks and mitigating actions are discussed and governed by our Preserving the Future Steering Committee. No climate-related risks were identified as being material through 2021 and therefore they do not appear on the businesses risk registers. Therefore, no material impact on the financial statements of the business were identified due to climate-related risks.	The Company will report Scope 1,2,3 emissions in line with SECR and GHG protocol. It will also report against the SASB framework that can be found in the Governance section of our website: https://www.trgplc.com/governance/reports Please refer to the SECR section of the annual report on page 18. The Company is currently developing an action plan to progress its ambition to achieve net zero in 2035. Our Preserving the Future environmental and social programme is structured to reflect the key areas of focus: energy usage reduction and carbon reduction in our supply chain, alongside associated menu changes, and in our distribution network. The Restaurant Group will continue to report progress annually.

* Scope 1 and 2 residual emissions include: FGAS, reconciliation of market-based gas and LPG emissions, any direct energy/gas supplies that are awaiting transfer to our national group contract. For example, new site opening where we have inherited an incumbent supplier

** Our chosen offsetting projects are Verified Carbon Standard (VCS) certified. We have ensured carbon removal rather than just carbon avoidance

Environmental and Social report continued

Utilities consumption and associated carbon emissions reduction

To continue our journey towards our net zero targets we have taken immediate practical steps to manage our Scope 1 and 2 footprint.

Scope 1 and 2 makes up 15% of our total 2021 footprint. In October 2021 we completed the move to renewable electricity, gas and LPG across our directly contracted supplies which for a full year will be approximately a 90% carbon emissions reduction across Scope 1 and 2*. We will be offsetting the remaining 10% with carbon credits from carbon removal reforestation projects that we have invested in **.

In addition to the investment in renewable utility sources, we are still committed to reducing Scope 1 and 2 usage by a further 5% in 2022, which will be achieved through a combination of behavioural change and technology investments. Some of our initiatives include:

- Launching in-restaurant sustainability champions: as an example, our Carbon Crew in Leisure & Concessions are operational staff leading on team engagement, building energy reduction knowledge and driving site-level action plans.
- A variety of technology investments at various stages of concept and trial aimed at reducing our carbon footprint.
- Feasibility assessments of energy reduction solutions for new site openings: for example, heat recovery units and lower-footprint cook line options.
- Water volume reduction: through improved data reporting, exception management, improving processes and managing maintenance issues.

We plan to develop an action plan for Scope 3 emissions that focuses primarily on the decarbonisation of our supply chain before we look to offset residual emissions in 2035.

Greenhouse gas emissions

As a quoted public company, The Restaurant Group is required under the Streamlined Energy and Carbon Reporting regulations to report annually on its greenhouse gas emissions from Scope 1 and 2 Electricity, Gas, LPG and Transport. We are also disclosing our Scope 3 footprint for the first time and will report on this moving forward to show our progress to carbon net zero.

- Total emissions reported across scope 1, 2 and 3 for both 2020 and 2021 are not representative of a full trading year and are therefore not comparable due to the difference in Covid restrictions and disruption to trade across both years.
- We are reporting on both location and market-based footprints for the first time to illustrate the benefits of renewable purchasing. A location-based method involves using an average emission factor that relates to the grid on which energy consumption occurs; so it doesn't take into account any renewable purchasing that exceeds the grid average. A market-based method reflects emissions from energy that companies have purposefully chosen for example renewable energy.
- The intensity ratio includes Scope 3 emissions for the first time.
- Due to the comparability issues above we are only disclosing our 2021 emissions in the table below, however going forward we will measure ourselves against this footprint and our intensity ratio which will enable a comparison even when trading patterns change.

	Scope	Description	Example Emission Sources	tCO_2e
Scope 1	**Location Based**	Combustion of fuel on site and transportation	Natural Gas, LPG, Fgas	18,044
	Market Based			13,635
Scope 2	**Location Based**	Purchased Energy	Electricity	15,257
	Market Based			5,993
Scope 3	**Location Based**	Indirect upstream and downstream emissions	Purchased Goods and Services, Business Travel, Transportation, Capital Purchasing, Water, Waste	188,105
Total	**Location Based**			221,406
Intensity Ratio		tCO_2e/£1m Turnover	Location Based	347.79

* Scope 1 and 2 residual emissions include: FGAS, reconciliation of market-based gas and LPG emissions, any direct energy/gas supplies that are awaiting transfer to our national group contract. For example, new site opening where we have inherited an incumbent supplier

** Our chosen offsetting projects are Verified Carbon Standard (VCS) certified. We have ensured carbon removal rather than just carbon avoidance

Greenhouse gas reporting methodology

- Our methodology has been based on the Greenhouse Gas Protocol.
- We have reported on all the measured emissions sources required under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations.
- The period of our report is 30 December 2020 to 2 January 2022.
- This includes material emissions under Scope 1, 2 and 3.
- Conversion factors for UK electricity (location-based methodology), gas and other emissions are those published by the HM Government, or where available, supplier-specific emissions for use in market-based calculations.
- There are no material known exclusions.
- Our energy efficiency action is referred to throughout the report.
- A location-based method reflects the average emissions intensity of grids on which energy consumption occurs (using mostly grid-average emission factor data).
- A market-based method reflects emissions from energy that companies have purposefully chosen, for example renewable energy.

Driving down carbon emissions in our supply chain

We have worked with the Zero Carbon Forum to develop the high-level industry roadmap to net zero for Scope 3 and are using this as a base to develop our own specific roadmap and plan. Their sectoral guidance is a 70% reduction in emissions is achievable over the long term with the residual 30% of emissions being offset. We now understand our emissions hotspots, which are primarily in food and drink purchases and through the transportation of our purchased goods. During 2022 we will be progressing with our supplier engagement and carbon reduction planning which will be made up of short, medium and long-term activity to reduce carbon intensity and volume, through:

- Upstream product and process engineering in the supply chain.
- Working with our transport and distribution partners to find more efficient solutions.
- Menu and proposition development.

It should not be under-estimated though that this is a multi-year programme through to 2035 and that residual emissions will need to be offset from 2035.

Reducing our food waste and packaging

We are committed to reducing the volume and footprint intensity of our food and packaging waste. As part of our Preserving the Future programme we have working groups focusing on a range of initiatives underway, for example:

- Recycling optimisation: through enhanced guidance support and analysis, 99% of our waste is diverted from landfill and 55% is recycled. This is achieved by segregating where possible food, card, commingled dry mixed recycling and glass. 99% of our remaining general waste is used to create clean energy.
- Delivery packaging reviews: to reduce both the volume of material in new packaging designs and the carbon intensity through the use of non-virgin material and material that is more effectively recycled and exploring recycling opportunities. In 2022 Wagamama will launch a lower plastic packaging content range with the ambition of reducing plastic material content by at least 30%.
- Food Waste reduction: working with the Sustainable Restaurant Association to identify high wastage ingredients, which in turn feeds into trials of new dish design and ingredient combinations.
- Having removed plastic straws from the business in 2020, we have further reduced single use plastic by moving to wooden cutlery for all our deliveries. Cutlery is now only provided when the customers 'opt in' on their order.

Sourcing ethical, sustainable and healthy produce

Sustainable and ethical sourcing

We practise 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:

- Meet the requirements of our Responsible Sourcing.
- Complete a declaration on Responsible Sourcing and Modern-Day Slavery as part of their onboarding and ongoing review.
- Be certified to the British Retail Consortium Food Safety Global Standard or GFSI equivalent, as a minimum.

We conduct routine supplier visits and audits to ensure our suppliers are operating to our high standards. During 2021 we have continued to actively reduce the number of bespoke lines that we list by over 50% following a simplification of our menus across the brands. Following a review of delivery schedules and frequency, the number of deliveries to our restaurants has also been reduced by 6% on a like-for-like comparable basis, which also contributes to a reduction in the total food miles travelled.

As previously reported, we are committed to sourcing sustainable fish, which is achieved through:

- Sourcing Marine Stewardship Council (MSC)-certified fish rated 3 or below.
- For farmed fish and seafood, only sourcing from GLOBALG.A.P or BAP 2* or higher certified farms.
- Within our Wagamama operation, using tuna that is dolphin friendly.
- Reviewing the Good Fish Guide every six months when it is published and modifying 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 and control unnecessary antibiotic use in farm animals. All our beef steaks are from UK or Irish farms reared to Red Tractor or Bord Bia welfare standards, the Irish equivalent of Red Tractor.

All supplier farms must have in place policies and standards that reflect UK/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 Five Freedoms as adopted by the Farm Animal Welfare Committee 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.
- Freedom from fear and distress – conditions and treatment which avoid mental suffering.

Since November 2017, all mayonnaise comes from cage-free and/or free-range sources 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 UK supply chain will be cage-free and/or free-range by the end of 2023 at the latest. We are also committed to working with our partners to ensure that 100% of our eggs (shell, liquid and egg products) will be from cage-free sources throughout our global operations for all owned, managed and franchised businesses by the end of 2025. 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 continue to support the Sustainable Restaurant Association (SRA) and in 2021 improved our overall performance by achieving 3-star ratings in the Food Made Good programme (the highest rating) for our Wagamama, Brunning and Price, and Leisure and Concession brands. This is a significant progression on our 2019 ratings where we achieved a 3 rating for our Pubs division, 2 for our Leisure and Concessions Division and 1 star for Wagamama. Food Made Good is the most globally recognised industry standard for measuring the hospitality sector. https://thesra.org/our-work/. The programme provides the industry with a practical means of understanding, reviewing and acting on key issues. The assessment areas focus on sourcing, society and the environment, reflecting the importance of sourcing and serving food well.

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 remains a huge focus for Wagamama, and in October 2021 we achieved a 50% plant-based menu.

As in previous years, there continue to be no genetically modified foods or trans fats in any of our products, and we have banned artificial colours that cause hyperactivity in children from all our products served to children.

Salt

We have reduced the amount of salt in our bespoke products purchased directly from suppliers in line with the Department of Health Responsibility Deal for 2017. 95% of all products purchased adhere to 2017 salt targets. We have now begun work to ensure our bespoke products meet the new 2024 salt targets.

Palm Oil

Where palm oil is used in our products, it is RSPO certified. We have embarked on a palm oil removal programme within Wagamama and are committed to be palm-free by 2026. We continue to find and implement ways of reducing palm oil across our other brands

Soy

Where soy is used, we ask our suppliers to ensure that all our soy has been responsibly sourced under the RTRS Standard for Responsible Soy Production or equivalent and are committed to fully sustainable soy in the food and feed supply chain across all our brands by the end of 2026.

Allergens

Our pubs and our Frankie & Benny's and Chiquito restaurants offer a Coeliac UK-accredited gluten-free menu to cater for those with Coeliac Disease.

The menus offer a range of classic dishes including gluten-free burgers, pastas, pizzas, and fish and chips

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 gluten-free menu and has innovated to provide more gluten-free choices. There are plans to further innovate and achieve gluten-free accreditation for our non-gluten menu in 2023.

Across the Group, our allergen information is available in restaurants, pubs 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 ingredients and menu. For example, in Leisure & Concessions we have removed celery from Napolitana sauce, and eggs from chicken bites, while in Wagamama we have removed nuts and peanuts from the main dish menu (with them only remaining in desserts). 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 carried out a programme of safety audits to monitor our compliance.

Additionally, we continued to incorporate Covid-secure ways of working throughout our businesses, which were put in place in 2020 and have continued to be developed in line with Government legislation and guidance over the last two years.

At year-end 2021, over 99% of our restaurants and pubs scored 4 stars or above (including pass ratings in Scotland) where rated under the Food Hygiene Rating Scheme, a sign of excellence in both food safety and hygiene, with 94% at 5 stars (or a pass rating in Scotland). 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.

Supporting our colleagues and the community

Our people

We believe that a great customer experience is key to our business success and therefore our most important asset is our people. As of December 2021 we employed in excess of 16,000 people. Our teams are passionate about the food and drink they serve and support each other to ensure the best customer service in all of our restaurants and pubs, taking huge pride in their work. We truly embrace diversity and employ colleagues from more than 60 nationalities.

In 2021, we continued to focus on supporting our colleagues and ensuring our communication was consistent and supportive to help them through a very difficult time due to the impact of the Covid-19 pandemic on our team's employment. All Divisions amplified this communication via team-focused apps, offering our colleagues both personal and professional development programmes.

Our employment commitments

The Restaurant Group is committed to being a fair and inclusive employer. Employment with the Group offers everyone equal rights and 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 the customers we serve. We continue our commitment to improve our Equality, Diversity and Inclusion (EDI) with focus on a number of key areas, including introducing and building development programmes for our management/leadership teams in anti-racism and gender identity. In Wagamama this extended to all of the leadership teams within their restaurants, which incorporates circa 600 leaders.

Within each Division we have a built teams of EDI ambassadors chosen from our colleague base. Their knowledge is integral to the development of our future EDI programme, and we will continue to build upon the foundations with our ambassadors.

Wagamama have gathered and assessed the ethnicity data for 89% of their team, and intend to publish the ethnicity pay gap in 2022.

We will continue to work with our EDI Ambassadors to build mentoring and reverse mentoring schemes. In our support centre and throughout the Leisure and Concessions Division we have launched a calendar of activity to celebrate our team's diversity with an aim to increase representation from those communities that are currently under-represented.

We are currently trialling an ethnic minority focused management apprenticeship scheme to improve career progression.

TRG will continue to ensure all of our employees understand they have a voice and will be heard, not only in shaping our people programmes, but also in the event of any serious occurrences of unethical behaviour, discrimination, harassment or health and safety concerns. We have Safe Sanctuary schemes across our Group which are embedded through our induction, development and cultural programmes.

Details relating to the gender diversity of our employees are contained in the Corporate Governance report on page 27.

We are committed to paying our colleagues fairly and equitably for the roles they are doing. In 2021, 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.

The Group pays all of its colleagues at least the National Minimum Wage (or for the over 23s 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 administration fee is charged by the Company.

If a colleague makes us aware of any disability, 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, Whistleblowing 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.

Anti-bribery and corruption

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 2021.

Colleague support

In 2021, we focused on supporting our colleagues who were on prolonged furlough with their physical and mental wellbeing. We focused on providing honest, supportive and consistent communication to all colleagues. We continued to enhance our app-based communication and engagement tools, ensuring all colleagues were able to receive and share both personal and Company updates, and we saw very high levels of usage across our teams. Health and wellness was our core focus, ensuring we nurture our colleagues and give them the support they need, particularly in areas of physical, financial and mental health. These platforms are also utilised to promote internal and external activities, run competitions, and drive positive engagement across our colleague community.

We enhanced our employee assistance provision to ensure the information was accessible via an app 24/7 and that, wherever requested, face-to-face counselling was delivered. Mental health training was delivered to our leaders in our support centre, restaurants and pubs.

To increase retention levels and improve colleague satisfaction, additional benefits and rewards programmes were introduced. Following feedback from our colleagues, we extended our 30% food and drink discounts for all colleagues across all TRG Divisions, and now offer 50% friends and family discounts, and an additional allowance for shift meals. Across each Division, bespoke reward and recognition initiatives have been appreciated and our colleagues have been fully engaged.

We launched another Save As You Earn share option scheme in 2021, 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 three years.

Our team and customer safety

During 2021, safety continued to be 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 2021 to ensure we continued to support and protect our colleagues. We completed 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.

Reporting of injuries at work

In 2021, the Group reported 48 accidents under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013, with no deaths or dangerous occurrences. This compares to 35 in 2020 and 132 in 2019 for the Group.

Building our team

The recruitment market for the hospitality sector was significantly affected post-Brexit and the Covid-19 pandemic. During Covid many hospitality workers changed careers or left the country, with the pool of potential candidates severely diminished. Across our sector, many businesses were unable to fully trade due to the lack of team members, particularly kitchen staff and chefs throughout 2021.

We have continued to drive recruitment through our online platforms and channels, investing further in adverts and paid search terms, and we have run open days to reach more candidates and grown our talent acquisition teams. We saw our colleague numbers grow between July and December and have continued to invest in a number of chef-led apprenticeship programmes to build our teams.

Our team development

In 2021 we further aligned and enhanced our learning and development by implementing a Group-wide online platform. We continued to focus on our on-the-job learning to help support the development of our colleagues. We complemented this with e-learning, increased face-to-face delivery, and virtual learning, all delivered by our dedicated brand and Group learning and development teams.

All new managers in our restaurants are enrolled on the manager in training and leadership programmes. This gives 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.

Apprenticeship programmes and investing in our employees' development are at the very heart of our learning programmes. In 2021 we aligned our own internal development programmes with our apprenticeship programme, providing a flexible and personalised approach to development and progression across the Group. We offer a suite of apprenticeships across all roles, ensuring that from entry level through to Director level, we are supporting progression, with kitchen team development our main priority. With a higher proportion of younger people joining hospitality, (post Covid circa 30% of our new team are 17-21 year olds) our entry-level programmes are critical so that our employees can continue their education with TRG. We work alongside various external companies who support young people with the transition into employment. Our wide range of apprenticeships run from level 1 through to level 7.

During the lockdown period in 2021 we were able to support our employees on furlough with increased apprenticeship support. This enabled us to underpin our commitment to our employees, with the success of this continuing through the second half of 2021. We continue to evolve our apprenticeship programme to align with the needs of our employees, offering bespoke schemes for those looking to progress in hospitality but also for those who wish to learn a skill independent of their role or career path, i.e. HR qualification (CIPD) for a general manager whose future aim is to join the learning & development team.

In 2021 our apprenticeship programme provided practical skills, experience and qualifications for over 240 apprentices across front of house, back of house, management and commercial roles, and we are aiming to double the number of apprenticeships to over 500 apprentices in total in 2022. This will equip our graduates from the apprenticeship programme with qualifications ranging from those equivalent to 5 GCSEs right up to degree level equivalent. This will not only enable our employees to gain an external qualification but also assist TRG with retention and internal development aims.

Our communities

Through a combination of colleague-led fundraising, Company-matched programmes, and contributions from our retail product range, we are aiming to raise up to £500,000 in 2022.

We continue to support our colleagues with their fundraising efforts and community activities. We partner with a number of charities across the Group which focus on advising, supporting and empowering individuals' mental health.

TRG supports Only A Pavement Away, a charity committed to supporting homeless ex-offenders and our veterans who are struggling to get into work or find housing. It works closely with other charities such as Crisis and Help For Heroes. We are committed to support by offering jobs and careers, and also supporting its Life Skills Hub programme.

Wagamama continue their partnership with Young Minds, dedicated to supporting young people's mental health.

Leisure and Concessions introduced Mind as their charity partner, which was chosen by our colleagues. Mind offers online and face-to-face mental health support and education. A year-long programme of activities has been introduced which each restaurant will support, with any amounts raised being matched by TRG. In addition, the partnership with Pennies continues to flourish, with our Leisure businesses raising more than £50,000 per year.

Rather than a Divisional approach, our Pubs teams focus on activities and fundraising with local, community-based charities. The Pubs Division have also partnered with the Burnt Chef Project, who offer leadership awareness and support with mental health training.

In addition to our Divisional-led charity support, a number of pubs and restaurants also supported local community charities across a number of causes including suicide prevention, children's cancer, youth housing and meals for the homeless to mention a few.

Corporate Governance report

Ken Hanna
Chairman

Chairman's introduction

Maintaining high standards of governance is critical to the delivery of the Company's strategy and its long-term success. This was especially the case in 2021, when the continuing impact of the Covid-19 pandemic meant another year of disruption for the Company, the hospitality sector, and the wider economy in general. In these circumstances, the Board continued to prioritise the health and safety of our guests and colleagues, whilst taking decisive steps to protect the long-term success of the business, including implementing the long-term refinancing of the Group's debt and a capital raising to strengthen our liquidity. Further information on the key decisions taken by the Board can be found in the section 172 statement on page 14.

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. Within the Company's governance framework, it is the Board's role to provide effective leadership in promoting the long-term success of the Company. It sets the Group's strategy, identifies and mitigates the risks in delivering the strategy (such as the Covid-19 pandemic), approves the funding and major capital allocations of the Group, and provides independent oversight of the Company's performance. To support the Group's strategy, the Board seeks to ensure that good governance standards are embedded throughout the organisation.

The Non-Executive Directors (NEDs) play an important role in exercising independent judgement to shape and agree the strategy and the relevant priorities with the Executive Directors. They bring constructive challenge to the Executive and the Senior Management team at Board and Committee meetings, while providing support and guidance to promote effective decision-making. The delivery of the Group's strategy and day-to-day running of the business are delegated to the Chief Executive Officer, and specific responsibilities of oversight are passed to various Board Committees.

2022 will be my first year as Chairman, and I see my role as ensuring that the Board and its Committees practise good corporate governance, focus on the key issues of strategy, performance, value creation and accountability, and that the Board continues to set its clear expectations concerning the Company's values and standards. I intend to continue my predecessor's good work in providing clear and cohesive leadership of the Board, promoting a culture of mutual respect and openness, and fostering a productive relationship with the Executive Directors, as well as ensuring effective communication with all of our stakeholders.

Ken Hanna
Chairman

15 March 2022

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.

Alex Gersh was appointed as a Non-Executive Director on 23 February 2021. Alex also became a member of the Audit and Nomination Committees and was identified as a potential successor to the Chairman of the Audit Committee, in light of his strong listed finance experience.

On 8 June 2021, it was announced that, after more than six years with the Company, Debbie Hewitt MBE, the then Chairman, would be stepping down from the Board with effect from 31 December 2021. On 1 December, Ken Hanna joined the Company as a Non-Executive Director and took on the role of Chairman from 1 January 2022. Ken is a highly experienced Chair and brings a wealth of relevant business experience from both his executive and non-executive careers. His executive career has included the roles of CFO of Avis Europe plc, CFO of United Distillers plc, CFO of Sygen International plc, CFO and CEO of Dalgety plc and CFO of Cadbury plc. Since embarking on a non-executive career, Ken's roles have included Non-Executive Director of Tesco plc, and Chairman of Inchcape plc, Shooting Star Chase, Aggreko plc, RMD Kwikform and Arena Events Group plc.

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 2021, the Company complied with the principles set out in the Code with the exception that 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.

In addition, although the Code requires that the annual Board and Committee evaluation should be externally facilitated at least every three years, in light of the Covid-19 crisis and the change of Board Chairman at the end of 2021, it was felt more appropriate to carry out the annual Board evaluation as an internal exercise this year. Details of the Board and Committee evaluation can be found on page 29 of this report. It is the Board's intention to appoint an external evaluator for the 2022 exercise, in compliance with the Code.

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's 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.

During 2021, the Board invested time first in trying to manage the impact of the Government lockdown and then in preparing the Group for revitalised strategic progress as the economy reopened. Decisive actions were taken in response to the pandemic including a long-term refinancing of the Group's debt and a capital raising to strengthen our liquidity. Following the lifting of the lockdown restrictions, considerable efforts were made to secure reliable and timely product supplies to our restaurants and pubs and to put in place enhanced arrangements to ensure guest and colleague safety, while continuing to optimise off-trade channels such as delivery and take-away.

The Directors who held office during 2021 were as follows:

Director	Role	Details
Debbie Hewitt	Chairman	Appointed Non-Executive Director from May 2015 and Chairman from May 2016 Resigned December 2021
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
Alison Digges	Non-Executive Director	Appointed January 2020
Zoe Morgan	Non-Executive Director. Chairman of Remuneration Committee (from April 2020)	Appointed January 2020
Alex Gersh	Non-Executive Director	Appointed February 2021
Ken Hanna	Non-Executive Director	Appointed December 2021 Appointed Chairman from January 2022

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 32 and 33.

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 provides regular reports on performance to the Board.

Ken Hanna, 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 Chairman and Executive Directors, creating constructive challenge to the Group's strategy and 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 2021 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	13/13	n/a	7/7	8/8
Andy Hornby	n/a	13/13	n/a	n/a	n/a
Kirk Davis	n/a	13/13	n/a	n/a	n/a
Graham Clemett	Audit/Nom/Rem	13/13	4/4	7/7	8/8
Alison Digges	Audit/Nom/Rem	13/13	4/4	7/7	8/8
Zoe Morgan	Nom/Rem	13/13	n/a	7/7	8/8
Alex Gersh[1]	Audit/Nom	10/11	4/4	6/6	n/a
Ken Hanna[2]	Nom/Rem	1/1	n/a	–	1/1

1 Alex Gersh was appointed as Non-Executive Director and a member of the Audit and Nomination Committees on 23 February 2021
2 Ken Hanna was appointed as Non-Executive Director and a member of the Nomination and Remuneration Committees on 1 December 2021

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 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. No potential conflicts were identified during 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 2021).

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 2 January 2022, the Board comprised the Non-Executive Chairman, two Executive Directors and four 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. The 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, a community of businesses devoted to increasing diversity and inclusion across Hospitality, Travel and Leisure, and our Chairman in 2021, Debbie Hewitt, was a member of its advisory board.

Further details on the Board's and the Group's policy on diversity are contained in the Nomination Committee report on page 40 and the Environmental and Social report on pages 21 and 22.

The table below sets out the position of the Group on a gender basis as at 2 January 2022:

	Male	Female
Main Board	5 (71%)	2 (29%)
Divisional Heads	2 (67%)	1 (33%)
Direct Reports to Executive Directors	7 (88%)	1 (12%)
TRG Employees at 2 January 2022	8,150 (50%)	8,058 (50%)

At the start of 2021, the Board comprised three males (50%) and three females (50%). Following the appointment of Alex Gersh on 23 February 2021, the Board comprised four males (57%) and three females (43%). As at 2 January 2022, following the appointment of Ken Hanna and the resignation of Debbie Hewitt, the Board comprised five males (71%) and two females (29%). It is the intention of the Board to ensure it is in compliance with the Hampton-Alexander recommendations during 2022.

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 among its Divisional Heads. The Board will develop a pipeline of candidates and mentoring schemes, working towards compliance with the Parker Review recommendations.

The Board considers that each Director is able to allocate sufficient time to the Company to discharge his or her 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 work with a designated Non-Executive Director to provide colleagues across all brands the opportunity to engage directly with a representative from the Board on all matters relating to colleague engagement. Zoe Morgan is currently the designated Non-Executive Director responsible for colleague engagement and diversity & inclusion (D&I) and in 2020 set up the Colleague Engagement Steering Group to steer the implementation of colleague engagement across all our Divisions. The Steering Group comprises the Directors/Heads of People from Wagamama, Pubs, and Leisure and Concessions, and is chaired by Zoe Morgan. The Steering Group meets three times per year to openly discuss opportunities, successes, and future engagement strategies to support cross-functional working and best practice.

The key activity of the Steering Group in 2021 was to prepare, oversee and report on a comprehensive colleague engagement survey across the entire Group. The survey consisted of a core of identical questions common to each Division plus additional questions for each brand, depending on its focus and individual engagement strategies. The survey produced useful insights into the views of our colleagues, and the findings have been reviewed by the Board and will be acted upon. All people leaders found the ability to discuss the insights and comparison across the brands useful and agreed to hold a further full survey in June 2022. This will allow for an in-depth comparison against the results. The key activities for the Steering Group in 2022 will be:

- overseeing a Group diversity & inclusion review and evaluation;
- supervising the implementation of a further all-colleague survey planned for June 2022; and
- ensuring that the Board understands and takes into account the views of colleagues across the Group and that the findings and action plans are communicated effectively.

Throughout 2021, we reviewed our colleague value proposition as we started trading again post-lockdown to ensure that we are attracting and retaining top talent. We continued improving our colleague communications through tools such as 'Woks App' and 'The Sauce', which are specifically aimed at driving more effective engagement and which ensure our teams are informed of relevant news for their brand and across the Group.

Environment and Sustainability

The Board acknowledges its responsibility to minimise 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 Environmental and Social report on pages 16 to 20.

We also provide disclosure of our current position in respect to the reporting framework of the Taskforce for Climate-related Financial Disclosures (TCFD). This framework contains guidance for disclosures on the four core pillars of Governance, Strategy, Risk Management, and Metrics & Targets, and we align with the key recommendations related to:

- Executive-level accountability and reporting;
- Climate-related risk assessment and management;
- Environmental performance metrics.

Annual re-election

In accordance with the Code, Alex Gersh and Ken Hanna are subject to election by shareholders at the Annual General Meeting (AGM) in May 2022. All other Directors are subject to re-election annually. 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 34 to 54.

Director induction

Alex Gersh and Ken Hanna, who joined the Board during 2021, were provided with a comprehensive 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 and Company advisers.

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 2021, presentations were given on:

- Directors' duties – covering, in particular, Directors' interests and their Directors' duties under the Companies Act, including those set out in sections 171-177 of the Act;
- Debt refinancing options and structures; and
- Covid-19 safety precautions and the AGM.

Board effectiveness review

The Board and Committee evaluation in December 2020 identified the following key areas for improvement: more insight to the competitive context of each business; more frequent management information (especially cash flow); better engagement with employees and understanding of the culture; ESG to come higher up the agenda; a more granular understanding of risk management; and the addition of an experienced NED in Q1 2021. From a process point of view, there was a strong desire to return to face-to-face meetings when possible and to clarify Company Secretarial responsibilities going forward.

In 2021, although Covid continued to impact the operating priorities for the business, good progress was made across these areas, specifically:

- Board processes were improved with a return to face-to-face meetings in the second half of the year and clarification of the division of responsibilities within the Company Secretariat team;
- strategic planning was included in all Divisional strategic reviews;
- the Board was strengthened by the appointment of Alex Gersh as a Non-Executive Director on 23 February 2021;
- employee/Board engagement was hampered by the various Covid-related lockdowns and restrictions, however the implementation of the colleague engagement survey across all our Divisions helped the Board's understanding of the culture and colleague sentiment throughout the Group; and
- monthly management accounts, including cash flow, were circulated to all Directors.

A new Board and Committee evaluation was conducted in December 2021. All Executive Directors, Non-Executive Directors and the Company Secretary participated. Input was provided through a questionnaire consisting of 43 questions, covering the areas of Board Process, Business Strategy, Skills and Influence, Governance and Stakeholder Management, and a separate section on the Board's response to the Covid-19 pandemic. There were also questions on the effectiveness of each Board Committee and a separate section on the Chairman. There was a range of strongly agree, agree, disagree and strongly disagree responses to a series of statements, with space to add qualitative comments and examples. There was a 100% completion 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, which was seen as open, transparent and non-political. It was noted that 2021 was another challenging year with complexities of reopening post-lockdown, capital raising, debt refinancing, operational challenges, economic headwinds and Board change;
- it was felt face-to-face Board meetings were most effective and that Committee meetings might benefit from longer scheduling;
- good progress had been made on strategy/market reviews for each brand;
- key areas for improvement were Board admin support, more scenario planning with improved focus on the competitive context, the need to bring ESG up the Board agenda, the need to review Executive and Senior Management succession and consider the recruitment of an additional NED with hospitality experience; and
- the Board Committees largely worked well. It was felt that the Audit Committee needed to implement a more structured review of risk, the Remuneration Committee needed to review incentives below direct reports of the Executives, and the Nomination Committee should review Executive succession.

As a result the Board agreed the following actions:

Board Process
Resolve Company Secretarial resourcing and circulate monthly finance packs.

Strategy
Improved insight to the competitive context and Divisional strategic reviews to include scenario planning.

Skills and influence
Agree skill set of next NED/Board composition. Digital strategy to be further developed.

Governance
Bring ESG up the Board agenda.

Committees

Audit:	Complete a more detailed review of key risks going forward.
Remuneration:	Insight and review of staff Incentives below Executive level.
Nomination:	Review Executive succession.

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 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 and appropriately mitigated. 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 58. The day-to-day management of business risks is the responsibility of the Senior Management team together with the Risk Committee. For the report of the Risk Committee see pages 57 to 58.

Internal controls

The Group has a system of internal controls, which aim to support the delivery of the 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 2021.

Remuneration

For information on remuneration, see the Directors' remuneration report on pages 41 to 54.

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 14 and 15.

Relations with shareholders

Share capital structure

The Company's issued share capital at 2 January 2022 consisted of 765,046,600 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 175,241,238 new ordinary shares in the capital of the Company were issued as a result of a Firm Placing and Placing and Open Offer (together, the 'Capital Raising') and a concurrent subscription by the Directors ('Subscription'), which raised gross proceeds of approximately £175m. The new shares issued represented approximately 30% of the existing issued ordinary share capital of the Company prior to the Capital Raising and Subscription. A further 9,887 shares were allotted during the year to participants in the Company's Save As You Earn (SAYE) employee share scheme.

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 2021 AGM, the Directors currently have authority to allot shares in the Company (a) up to a nominal amount of £71,722,191 (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 £143,444,383 (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 25 August 2022 or, if earlier, the 2022 AGM, where it is intended that a resolution granting a similar authority will be put to shareholders.

As granted at the 2021 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 76,503,671 (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 1/8 pence (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 25 August 2022 or, if earlier, at the 2022 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 2021, the Chairman of the Board and the Executive Directors consulted extensively with the Company's top shareholders in respect of the Capital Raising.

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 impact on the environment, we ask shareholders to elect to view our annual reports, notices of meetings and other shareholder documentation online, rather than in paper form. Shareholders retain the right to ask to receive hard copy shareholder communications by post if they so wish.

Substantial shareholdings

As at 2 January 2022, the Company was aware 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	133,306,645	17.42
Fidelity Mgt & Research	48,962,019	6.40
AXA Investment Mgrs	38,573,115	5.04
River & Mercantile Asset Mgt	34,872,610	4.56
Royal London Asset Mgt	29,693,721	3.88
Vanguard Group	27,194,977	3.55

Since 2 January 2022 and up to the date of this report, the Company has received notifications under the Disclosure and Transparency Rules in respect of the following interests of 3% or more in the issued share capital of the Company:

	Number of shares	% of issued share capital
River & Mercantile Asset Mgt	37,946,698	4.96

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 43 to 50 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 discouraged due to Government guidelines relating to Covid-19 (as was the case for the 2021 AGM), we provide a facility for shareholders to submit questions to the Directors electronically and the answers are published on our website.

The 2022 AGM will be held on 24 May 2022 at 11:00 a.m. at the Group's Head Office at 5-7 Marshalsea Road, London SE1 1EP. 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.

Ken Hanna
Chairman

15 March 2022

Board of Directors as at 15 March 2022

Ken Hanna
Non-Executive Chairman

Ken Hanna was appointed as a Non-Executive Director on 1 December 2021 and Chairman with effect from 1 January 2022.

Ken is an experienced Chair and brings a wealth of relevant business experience from both his Executive and Non-Executive careers. His Executive career has included the roles of CFO of Avis Europe plc, CFO of United Distillers plc, CFO of Sygen International plc, CFO and CEO of Dalgety plc and CFO of Cadbury plc. Since embarking on a Non-Executive career, Ken's roles have included Non-Executive Director of Tesco plc, and Chairman of Inchcape plc, Shooting Star Chase, Aggreko plc, RMD Kwikform and Arena Events Group plc.

Ken chairs the Nomination Committee.

Andy Hornby
Chief Executive Officer

Andy joined the Company as Chief Executive Officer on 1 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.

Andy is also Non-Executive Chairman of Sharps Bedrooms and a Trustee of the charity Only A Pavement Away.

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 previously held roles as Finance Director for UK Corporate Banking at RBS Group plc and as Group Financial Controller at Reuters Group plc. He qualified as a chartered accountant with KPMG.

Graham chairs the Audit Committee.

A Member of the Audit Committee

N Member of the Nomination Committee

R Member of the Remuneration Committee

Committee Chairman

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 was until recently the UK Managing Director of Digital for Entain plc, one of the world's largest sports betting and gaming groups, with full P&L accountability for their gaming brands. She previously held digital and marketing roles for Gala Coral, Datamonitor and Granada Television, 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. She is currently a Non-Executive Director at Dogtooth Technologies Ltd and Amicable.

Zoe chairs 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 Cazoo, 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. From 2007 to 2013, he 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 four 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 2021 is shown below:

Director	Status	Attendance
Graham Clemett	Member for whole year	4/4
Alison Digges	Member for whole year	4/4
Alex Gersh	Member from 23 February 2021	4/4

Since 2 January 2022, there has been one Audit Committee meeting to review and approve this Annual Report and Accounts amongst other matters. The meeting was attended by all three current 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 current role as CEO of Workspace Group plc, a FTSE 250 company, where he was also CFO prior to his current role. Biographies of all Committee members, including a summary of their experience, appear on pages 32 to 33.

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.

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 assurance regarding the integrity, quality and reliability of financial information used by the Board and of 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 UK Adopted International Accounting Standards;
- review the adequacy and effectiveness of the Company's risk management and internal control, supported by the 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, or any other matter falling within its remit that the Committee itself determines should be considered, and make recommendations as appropriate.

2021 Committee activities

The Committee is required by its terms of reference to meet at least three times a year. During 2021, the Committee held four 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;
- discussed the Group's long-term viability and going concern statements; and
- considered and approved the company's response to the communications received from the FRC.

External audit:
- received the External Auditor's report on the Annual Report and Accounts and Interim Report process and discussed the 2021 year-end audit;
- considered the scope and cost of external audit;
- considered the effectiveness of the external audit process;
- discussed the Board representation letter; 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 58);
- reviewed the Group's internal controls and risk management systems;
- initiated the outsourcing of an internal audit function for specific reviews;
- commissioned updates on cyber security; and
- discussed regular reports and copies of the minutes from the Chairman of the 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 commissioned and reviewed reports into the accounting and disclosure of the following key accounting matters:

Matter considered	Action taken by the Committee
Impairment of property, plant and equipment	The Committee reviewed the proposals prepared by Management setting out their approach and challenged the key judgements made relating to both impairment and reversals of impairments previously booked. The key judgements related to forecast sales performance, allocation of central costs and discount rates. In addition, these judgements and disclosures were reviewed with the External Auditor.
Prior year restatement	The Committee reviewed and approved all correspondence with the FRC following the enquiries from the Corporate Reporting Review Team. The FRC review was based on a desktop review of the 2020 Annual Report and Accounts and provides no assurance that the report and accounts are correct in all material respects. The outcome of these enquiries is that the Group has revisited its application of accounting standards relating to the development of its sites in Manchester Airport. Accordingly, it has restated the prior year balances relating to exceptional cost of sales, exceptional tax charge, property, plant and equipment, deferred tax liabilities, and retained earnings. Further details are given in Note 2.
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 focused on the economic characteristics of the different operating segments, and the criteria set within IFRS 8. The Committee agreed with Management's proposal subject to appropriate disclosure in the Accounting Policies and the Significant Judgements sections of the Annual Report.
Going concern	The Committee, alongside the wider Board, reviewed the base and stress case forecasts with Management, with reference to the current loan facilities. This included cash flows and forecast covenant calculations for the Group. The Committee discussed the assessment by Management with the External Auditor. The Committee agreed with Management's assessment as explained on page 37.
Exceptional costs	Management presented a paper to the Committee covering the details of all 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.
Alternative Performance Measures (APMs)	Management presented a paper to the Committee including a rationale for the use of APMs specifically excluding the impact of Exceptional Items and IFRS 16 'Leases'. This paper also included several improvements to be made to the 2021 Annual Report to more clearly explain the use of APMs following the Thematic Review by the FRC. The Committee considered this paper in light of the FRC guidance and challenged Management on whether APMs continue to be appropriate. The Committee was satisfied with the responses by Management and endorsed the improved disclosure.
IFRS 16	The Committee received a paper from Management regarding the movement in the right-of-use assets and lease liabilities recognised under IFRS 16. The Committee paid particular attention to the completeness of the calculations, the significant changes in these balances relating to site exits and renegotiations, and the discount rates applied. This was discussed with Management, and the External Auditor.
Useful economic life of the 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 Management, and the External Auditor.

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.

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 extended back to three years from the two years used in 2020. The factors used when assessing the Group's viability for the next three years, together with the statement, are set out on page 55.

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 effectiveness 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;
- the quality of challenge and insight of the Auditor in their handling of the key accounting and audit judgements;
- the arrangements for ensuring the independence and objectivity of the External Auditor;
- the External Auditor's fulfilment of the agreed audit plan;
- the ability of the External Auditor to add value through observations from the audit process and interactions with the Company's Management; and
- the External Auditor's conclusions with regard to management and control processes.

A formal assessment will be conducted after the approval of the financial statements in March 2022. Subject to this review, it is the Committee's intention to recommend the re-appointment of Ernst & Young LLP (EY) to shareholders at the Annual General Meeting in May 2022. 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 fourth year auditing the Group's annual report. Over that time, the audit has been led by Bob Forsyth, Audit Partner. The Committee has been made aware of Bob Forsyth's intention to rotate off the audit of the Group after the 2021 Annual Report has been issued. A selection process for his successor has been conducted, which consisted of EY proposing a selection of Audit Partners to meet both Management and the Audit Committee Chairman. This process has resulted in the selection of Julie Carlyle, who will lead the audit going forward.

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;
- 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 at the December 2020 Audit Committee meeting, 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 prior 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 assesses whether any such fees are appropriate. The priority is to ensure that an effective, high-quality audit can be conducted and independence maintained.

Audit Committee report continued

Despite an intention to keep non-audit fees at a relatively minor proportion of the total EY fee, for practical reasons, these fees have been elevated in 2018, 2020, and 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 were engaged to provide comfort letters and working capital reports on the equity issuance completed in April 2021. We believed that EY, as our Auditor, was 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 been 1:1.4 (2020: 1:1.4), causing the Committee to closely scrutinise the safeguards in place to maintain independence. The Committee receives updates on the level of fees from the Auditor 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. In the year, the Audit Committee discussed the appropriate strategy for Internal Audit and received reports from PwC on the Group's process for risk management, payroll management and treasury. Management and the Committee are monitoring the implementation of all recommended actions. The Audit Committee meets with PwC to agree the annual scope of work and to review its execution.

In addition, the Company has appointed a Director of Risk and Compliance, who will further enhance the processes around risk management and mitigation.

Risk Committee

As set out in the Risk Committee's terms of reference, the Audit Committee Chairman received regular reports on its activities during 2021. For further details on the membership, roles and responsibilities and Risk Committee activities, see page 57.

The Group's principal risk factors are set out on page 58.

Committee Governance

Terms of reference

In December 2021, the Committee reviewed its terms of reference. 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 2021. All Executive Directors, Non-Executive Directors and the Company Secretary participated. Input was provided through a questionnaire consisting of 43 questions, covering the areas of Board Process, Business Strategy, Skills and Influence, and Governance and Stakeholder Management, and a separate section on the Board's response to the Covid-19 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.

Rotation of Committee Chairman

The Committee Chairman, Graham Clemett, has indicated to the Board his intention to stand down from his role as Audit Committee Chairman from the date of the Annual General Meeting, but will continue in his role as a Non-Executive Director and Senior Independent Director and will remain as a member of the Audit Committee. It is proposed that Alex Gersh will take over as Chairman of the Committee following this year's AGM.

On behalf of the Audit Committee.

Graham Clemett
Chairman of the Audit Committee

15 March 2022

Nomination Committee report

Ken Hanna
Chairman of the Nomination Committee

The Nomination Committee is appointed by the Board and, as at 2 January 2022, comprised five independent Non-Executive Directors – the Committee Chairman Ken Hanna, Graham Clemett, Alison Digges, Zoe Morgan and Alex Gersh.

The Nomination Committee met seven times during the year.

Biographies of all Committee members, including a summary of their experience, appear on pages 32 to 33.

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, Committee and senior leadership succession planning.

Key responsibilities

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

2021 Committee activities

The Committee is required by its terms of reference to meet at least twice a year. During 2021, the Committee held seven 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;
- 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;
- the consideration of the succession for the role of Chairman of the Audit Committee, in view of the fact that Graham Clemett, the current Chairman of the Audit Committee would attain six years of service on the Board on 31 May 2022;
- the appointment and induction of Alex Gersh as a Non-Executive Director, who commenced on 23 February 2021 and who will assume the role of Audit Committee Chair from the May 2022 AGM;
- the recruitment of a new Chairman of the Board of Directors, following the resignation of Debbie Hewitt in June 2021, including the appointment of an executive search firm and the process to be adopted;
- the appointment and induction of Ken Hanna, who commenced as a Non-Executive Director on 1 December 2021 and became Chairman of the Board on 1 January 2022; 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 2021.

Nomination Committee report continued

Effectiveness of the Committee

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

- succession for the Chairman, with Ken Hanna appointed as a Non-Executive Director on 1 December 2021 and succeeding Debbie Hewitt as Chairman on 1 January 2022;
- the induction and integration of new Non-Executive Directors;
- succession identified going forward for the Audit Committee chair; and
- ensuring the succession of the then Managing Director of Wagamama and the establishment of a stable management team for the Leisure brands.

The key area for improvement and focus going forward was Executive succession planning.

Board changes during the year

Board changes during the year are detailed in the Corporate Governance report on page 25.

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. 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.

The Company also engaged Sam Allen Associates to assist in the recruitment of the new Non-Executive Chairman. Following an extensive search, the Company announced the appointment of Ken Hanna as a Non-Executive Director with effect from 1 December 2021. Ken also joined the Nomination and Remuneration Committees and, on 1 January 2022, became Non-Executive Chairman of the Board and Chairman of the Nomination Committee.

Sam Allen Associates has no other connection with the Company.

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 boards and executive committees and in their direct reports. The Board is aligned on these ambitions. As at 2 January 2022, following the appointment of Ken Hanna and the resignation of Debbie Hewitt, the Board comprised five males (71%) and two females (29%). It is the intention of the Board to ensure it is in compliance with the Hampton-Alexander Review recommendations during 2022.

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 page 27 and the Environmental and Social report on pages 21 and 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 however Graham Clemett will have served six years on 31 May 2022. The Committee has proposed that, following the 2022 AGM on 24 May 2022, Alex Gersh will take on the role of Chairman of the Audit Committee. Graham Clemett will remain as a Non-Executive Director, Senior Independent Director and a member of the Audit, Nomination and Remuneration Committees.

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 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.

Ken Hanna
Chairman of the Nomination Committee

15 March 2022

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 2 January 2022. The Remuneration Committee (the 'Committee') currently consists of myself, Ken Hanna, 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 2022 financial year, will be subject to an advisory shareholder vote at this year's AGM on 24 May 2022.

2021 was another busy and challenging year for the Committee as the Covid-19 pandemic continued to affect the hospitality industry. As with 2020, the Committee adapted the Company's remuneration decisions to the changing environment of Government lockdowns and restricted trading, followed by the gradual reopening of much of our estate and, more recently, the impact of the Omicron variant. Management continued to implement a series of actions to mitigate the substantial impact of the pandemic, including the refinancing of our Group debt, voluntary salary reductions, access to the Coronavirus Job Retention Scheme to protect the jobs of around 12,000 colleagues affected by Government lockdowns and restrictions, access to other Government support, continuing restraint on capital expenditure, and the capital raising in March 2021 to strengthen our liquidity. The key decisions on remuneration are outlined in more detail below.

Remuneration in 2021

In light of the Government lockdown at the start of 2021, the Executive Directors and, indeed, the Board of Directors as a whole, continued their responsible approach to remuneration to safeguard the business including:

- the Executive and the Non-Executive Directors continued to waive 20% of their salaries/fees from 1 January 2021 until 31 March 2021 – it is worth noting that the Directors proactively volunteered these waivers, which were in place for a full year prior to 1 April 2021;
- as previously reported, the Committee exercised its discretion to resolve that no annual bonuses would be paid to the Executive Directors in respect of the 2020 financial year (in addition to the Executive Directors having waived any entitlement to bonuses earned in respect of the 2019 financial year);
- the Executive Directors received a 2% pay increase, in line with other head office colleagues. However, as previously reported, the pay review date was moved from 1 January to 1 April; and
- in light of the Covid-19 pandemic and the receipt of significant Government support, the Committee reduced the Executive Directors' bonuses by 40% to cap them at 60% of maximum outturn.

The Committee debated at length the appropriate bonus award for strong performance once trading resumed in 2021. The Committee was cognisant of the significant Government support received, mainly in the early part of the year when all our restaurants and pubs were closed due to Covid-19. As set out elsewhere in the Annual Report, the Group's Management led the business through a very challenging period of Covid-19 lockdowns and restrictions during the year, and successfully re-launched our businesses achieving trading performance which outperformed the market despite significant headwinds.

The Committee was also acutely aware of the fact that the Executive Directors had not been paid any bonus for the 2019 and 2020 years, and noted that TRG was one of very few companies not to have paid bonuses for two years. The 2019 bonuses, already earned and about to be paid out, were voluntarily waived by the Executive Directors in March 2020, and the Committee decided no bonuses would be paid in respect of 2020. The full Board also volunteered partial salary waivers over the past two years.

In light of the successful refinancing of the Group debt and strong trading since reopening, with all Divisions out-performing their respective markets, the Committee felt that it was appropriate to pay bonuses for 2021. However, taking into account the effect of the Covid-19 pandemic and the receipt of significant support from the Government, the Committee reduced the bonuses earned by 40%, capping the Executive Directors' bonuses at 60% of maximum outturn, notwithstanding that 100% was due on a formulaic basis. No other discretion was exercised in respect of the year.

It should also be noted that the 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.

Remuneration for 2022

A 2.5% salary increase was awarded to the Executive Directors (effective 1 April 2022), which is below both general inflation and the 3% average awarded to the head office team. Salary increases for non-managerial staff in restaurants and pubs are determined in line with changes to the National Minimum and National Living Wage.

The Chief Executive Officer and Chief Financial Officer will be eligible for a maximum annual bonus for 2022 of 150% and 135% of salary respectively. The increase to a 135% maximum for the Chief Financial Officer is permitted under our Remuneration Policy, which provides for a maximum of 150%, and aligns with the market.

The Committee intends to grant Restricted Share Awards of 100% of salary for each of the Executive Directors during 2022. The Committee is mindful of the current volatility in share prices and, to prevent an inadvertent windfall gain, will use the average closing price over the three months prior to grant when making the grants.

The 2022 awards will be subject to a discretionary underpin in respect of 100% of the Award based on the Group's underlying performance and delivery against its strategy, ensuring that the progress made 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 and strategic goals set by the Committee from time to time.

The Chief Financial Officer's pension contribution rate will be aligned with the average for colleagues from 1 January 2023, reducing from the contracted rate of 20% to 3%.

As a result of the on-going Covid-19 crisis, there was no increase made to Non-Executive Director fees in 2021 and the Non-Executive Directors voluntarily waived 20% of their fees from 1 January to 31 March 2021. For 2022, the Non-Executive Directors were awarded a 2.6% fee increase to their base Director fees from 1 April 2022, with no change to the Committee chair/SID fees. Due to his recent recruitment, the Chairman was not considered for a fee increase as part of the 2022 pay review.

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

Yours faithfully,

Zoe Morgan
Chairman of the Remuneration Committee

15 March 2022

Annual report on remuneration

Implementation of the Remuneration Policy for the 2022 financial year

Executive Directors' salaries for the 2022 financial year are set out below and will be subject to increase from April:

Basic salary	2021[1] (from 1 April)	2022 (from 1 April)	Increase[2]
Andy Hornby	£642,600	£658,000	2.4%
Kirk Davis	£376,729	£386,000	2.5%

1 The Executive Director salaries shown in the above table were subject to voluntary reductions from 1 January to 31 March 2021 of 20%
2 The salaries shown in the above table do not take into account the Executive Directors' voluntary salary waivers

The Committee considered that the increases for the Chief Executive Officer and Chief Financial Officer are in line with the rest of the Senior Management team. The average increase for head office colleagues will be 3% for the 2022 pay review, with a higher average increase applied to colleagues affected by the National Living Wage and the National Minimum Wage increases.

Pension and benefits

Pension and benefits will continue to be provided in line with the stated policy. The Chief Executive Officer receives no pension contribution and the Chief Financial Officer's contribution rate, set at 20% as negotiated on his recruitment, will be reduced to 3% from 1 January 2023 to be aligned with the average for all colleagues who opt to take a pension. Any new Executive Directors will similarly be aligned.

Performance targets for the annual bonus in 2022

For 2022, the annual bonus will be based on a Group financial measure of 85% and, for the first time, ESG KPIs of 15% (comprising environmental, social and customer measures), and will be capped at 150% and 135% of salary for the Chief Executive Officer and Chief Financial Officer respectively. The financial measure will be adjusted profit before tax.[1] As in previous years, the Committee has chosen not to disclose, in advance, further details of KPIs for the forthcoming year or the adjusted profit before tax target as these include items which the Committee considers commercially sensitive. However retrospective disclosure in respect of the 2022 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.

1. Pre-IFRS 16 and exceptional items

Underpin for RSP awards to be granted in 2022

The RSP awards intended to be granted to each of the Executive Directors in April 2022 will be over shares equal to 100% of salary.

Awards granted in April 2022 will be subject to a discretionary underpin in respect of 100% of the Award: the Committee will determine its view based on the Group's underlying performance and delivery against its strategy, ensuring that the progress made 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 and strategic goals set by the Committee from time to time.

We have disclosed the 2021 RSP underpins relating to the awards made to the Chief Executive and Chief Financial Officer on page 47 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:

	2021[1,2]	2022 (from 1 April)	Increase[3]
Chairman	£224,000[4]	£230,000[5]	2.7%
Non-Executive Directors' base fee	£56,200	£57,650	2.6%
Committee Chair/Senior Independent Director fee[6]	£10,000	£10,000	0%

1 From 1 January 2021 or date of appointment
2 In line with the rest of the Board, the Non-Executive Directors voluntarily waived 20% of their fees from 1 January until 31 March 2021
3 The percentage increases shown in the above table do not take into account the Non-Executive Directors' voluntary salary waivers
4 Fees of Debbie Hewitt until she stepped down from the Board on 31 December 2021
5 Fees of the current Chairman, Ken Hanna, who joined the Board on 1 December 2021 and became Chairman from 1 January 2022. Due to his recent recruitment, the Chairman was not included in the 2022 fee review
6 No increase was applied to the Committee chair/SID fees

Directors' remuneration report continued

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 2 January 2022 and 27 December 2020 (for Directors who served for part of 2021). The table shows actual amounts after taking into account salary/fee waivers during approximately nine months in 2020 and three months in 2021 (which impacts the year-on-year comparisons).

	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[10]**
Ken Hanna										
2021	19	–	–	**19**	–	–	–	–	**–**	**19**
2020	–	–	–	**–**	–	–	–	–	**–**	**–**
Andy Hornby										
2021	608	12	–	**620**	578	–	–	–	**–**	**1,198**
2020	504	10	–	**514**	–	4	–	–	**4**	**518**
Kirk Davis										
2021	356	11	71	**438**	271	–	–	–	**–**	**710**
2020	314	10	61	**385**	–	–	–	–	**–**	**385**
Graham Clemett										
2021	72	–	–	**72**	–	–	–	–	**–**	**72**
2020	54	–	–	**54**	–	–	–	–	**–**	**54**
Zoe Morgan[6]										
2021	63	–	–	**63**	–	–	–	–	**–**	**63**
2020	50	–	–	**50**	–	–	–	–	**–**	**50**
Alison Digges[7]										
2021	53	–	–	**53**	–	–	–	–	**–**	**53**
2020	45	–	–	**45**	–	–	–	–	**–**	**45**
Alex Gersh[8]										
2021	47	–	–	**47**	–	–	–	–	**–**	**47**
2020	–	–	–	**–**	–	–	–	–	**–**	**–**
Former Directors										
Debbie Hewitt[9]										
2021	213	–	–	**213**	–	–	–	–	**–**	**213**
2020	179	–	–	**179**	–	–	–	–	**–**	**179**

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 41
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 was paid for 2020
4 The value for the Chief Executive Officer includes the intrinsic value of the 2020 options granted under the SAYE Scheme on 8 December 2020, being the difference between the option price adjusted following the 2021 Placing and Open Offer (51.27 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 adjusted number of option shares (35,108 shares). Further details of the SAYE Scheme options are disclosed on page 47
5 No LTIP awards vested in the 2021 financial year. Details of the conditions applicable to their outstanding RSP awards are set out on pages 46 and 47
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 Alex Gersh was appointed as a Non-Executive Director on 23 February 2021
9 Debbie Hewitt resigned on 31 December 2021 and her remuneration is the amount earned up to that date
10 The aggregate emoluments (being salary/fees, bonus, benefits and cash allowance in lieu of pension) of all Directors for the year ended 2 January 2022 was £2,375,216 (2020: £1,365,346)

Annual bonus payments for the year ended 2 January 2022 (audited)

The annual bonus for the 2021 financial year for the Chief Executive Officer and Chief Financial Officer was based on Group EBITDA[1] performance and a strategic measure based on balance sheet progress (including successful Group debt refinancing, equity raise and net debt reduction).

A maximum of 70% of the bonus (105% of salary and 84% of salary respectively) was payable for achievement against Group EBITDA targets. The table below shows the EBITDA targets and the adjusted profit before tax equivalents:

	Group Adjusted EBITDA targets[1]	Adjusted profit before tax equivalent[1]	CEO % of salary	CFO % of salary
< Threshold			0%	0%
Threshold (79% of budget, 25% of maximum)[2]	£44.2m	(£22.7m)	26.3%	21%
Target (budget, 50% of maximum)[2]	£56.1m	(£10.8m)	52.5%	42%
Maximum (127% of budget)[2]	£71.1m	£4.2m	105%	84%
Outcome	£81.2m	£16.6m	105%	84%

1 Pre-IFRS 16 and exceptional items
2 Any bonus would be payable on a straight-line basis if achievement is between threshold and target or between target and maximum pay-out

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 balance sheet progress (including successful Group debt refinancing, equity raise and net debt reduction). The Committee reviewed the progress made on the refinancing, successful capital raise and subsequent debt reduction and considered that the target for this element of the bonus award had been met in full.

Annual bonus payments

The stretch target for the 2021 bonus was set at an adjusted EBITDA of £71.1m[3] (equivalent to adjusted profit before tax of £4.2m[3]). Reflecting the strong trading performance in the second half of the year, the financial targets were exceeded with the Group achieving adjusted EBITDA[3] of £81.2m (adjusted profit before tax of £16.6m[3]), which would result in a maximum bonus payout on this element on a purely formulaic basis.

Notwithstanding the above bonus potential, in light of the Covid-19 pandemic and the receipt of significant Government support, the Remuneration Committee decided to reduce the formulaic outcome of 100% by 40%, to cap the Executive Directors' bonuses at 60% of maximum outturn.

3 Pre-IFRS 16 and exceptional items

Directors' remuneration report continued

Vesting of LTIP awards in 2021 financial year (audited)

No LTIP awards vested to Executive Directors in the year. The 2018 and 2019 schemes have 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 2 January 2022[5]	Adjusted Exercise price	Date from which exercisable[3 4]	Expiry date
Andy Hornby	2019 LTIP[2]	1,467,846	–	1,484,344[6]	–[6]	–	01.08.2022	6 months after vesting
	2020 RSP[2]	1,494,307	–	–	1,511,103	–	–	–
	2020 SAYE	34,722	–	–	35,108	51.27p	01.02.2024	6 months after vesting
	2021 RSP[1]	496,062	–	–	496,062	–	–	–
Kirk Davis	2018 LTIP[2]	206,203	–	282,343[5]	–	–	19.03.2021	6 months after vesting
	2019 LTIP[2]	627,230	–	634,280[6]	–[6]	–	05.04.2022	6 months after vesting
	2020 RSP[2]	876,048	–	–	885,894	–	–	–
	2021 RSP[1]	290,820	–	–	290,820	–	–	–

1 Details of the conditions applicable to the 2021 RSP awards can be found in the next section of this report
2 Details of the conditions applicable to the 2020 RSP awards can be found on page 56 of last year's report. Details of the performance conditions for the 2018 and 2019 LTIP awards can be found in previous years' reports
3 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 two 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 this requirement, vestings from LTIP and RSP awards will be lodged in escrow until sufficient shares are held
4 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
5 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 however an equivalent adjustment was made to the 2019 LTIP award, the 2020 RSP award and the 2020 SAYE award following the 2021 Placing and Open Offer
6 The Committee has confirmed that the 2019 LTIPs (which were adjusted following the 2021 Capital Raising to options over 1,484,344 shares for Andy Hornby and 634,280 for Kirk Davis) have lapsed and are therefore shown as zero as at 2 January 2022

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	100% of salary of £630,000	127p	496,062	£629,998.74	0%	12.04.2021	12.04.2024
Kirk Davis	Nil-cost Option	100% of salary of £369,342	127p	290,820	£369,341.40	0%	12.04.2021	12.04.2024

1 Based on the average share price of 127p during the five dealing days ending immediately before the date of grant
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 2021 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, social and corporate governance priorities set by the Committee from time to time.	100%	100%
EBITDA in FY2023 is at least £100m[1] (subject to adjustment for material acquisitions and disposals).	50%	£100m

1. Pre-IFRS 16 and exceptional items.

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 are as follows:

Executive Director	Total SAYE awards at 27 December 2020	Awards granted	Exercise price[1]	Awards vested (number)	Awards exercised (number)	Awards lapsed (number)	Total SAYE awards at 2 January 2022	Earliest exercise date
Andy Hornby	34,722	–	51.27p	–	–	–	35,108[1]	1 February 2024
Kirk Davis	–	–	–	–	–	–	–	–

1 For SAYE awards from previous years, consistent with normal practice, the shares subject to outstanding awards granted before 30 March 2021 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 in respect of the 2021 Placing and Open Offer and therefore results in the same economic result for a participant as that of a shareholder participating in the rights issue. Where relevant, the exercise price for each award has been adjusted on a similar basis

Payments on cessation of office (audited)

No payments on cessation of office were made in respect of the 2021 financial year.

Payments to former Directors' (audited)

No payments to former Directors were made in respect of the 2021 financial year.

Statement of Directors' shareholdings and share interests (audited)

Director	Beneficially owned at 27 December 2020[1]	Beneficially owned at 2 January 2022[1]	Outstanding LTIP awards at 2 January 2022[2]	Outstanding RSP awards at 2 January 2022[2]	Maximum shares receivable under SAYE options at 2 January 2022	Shareholding % of salary at 2 January 2022	Guideline[3]
Ken Hanna[4]	–	100,000	–	–	–	–	n/a
Andy Hornby	289,050	374,814	–	2,007,165	35,108	62%	250%
Kirk Davis	465,897	515,897	–	1,176,714	–	145%	250%
Graham Clemett	44,755	58,034	–	–	–	–	n/a
Zoe Morgan	31,680	51,680	–	–	–	–	n/a
Alison Digges	4,536	14,536	–	–	–	–	n/a
Alex Gersh[5]	–	5,000	–	–	–	–	n/a
Past Directors							
Debbie Hewitt[6]	192,763	249,958	–	–	–	–	n/a

1 Beneficial interests include shares held directly or indirectly by connected persons
2 Further details of outstanding share awards are disclosed on page 46. The Committee has confirmed that the 2019 LTIPs (which were adjusted following the 2021 Capital Raising to options over 1,484,344 shares for Andy Hornby and 634,280 for Kirk Davis) have lapsed and are therefore shown as zero as at 2 January 2022
3 Shareholding guideline increased to 250% following approval of the new Directors' Remuneration Policy on 8 October 2020
4 Appointment date 1 December 2021
5 Appointment date 23 February 2021
6 As at 31 December 2021, her retirement date

Directors’ remuneration report continued

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 two 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.

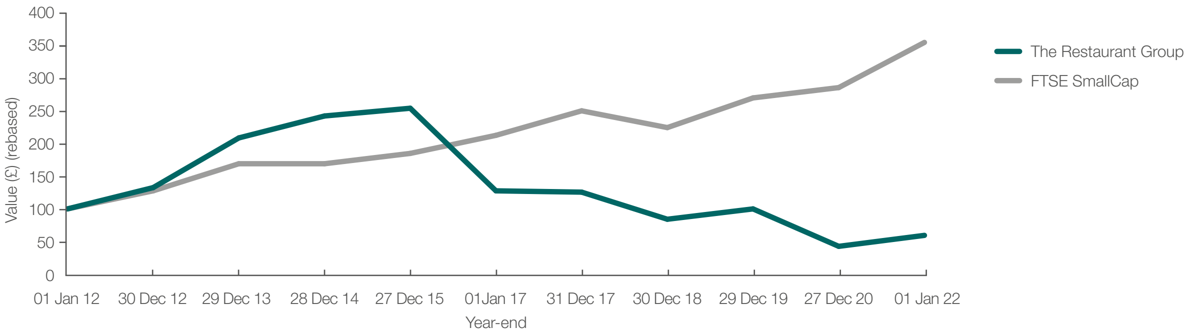
On 30 March 2021, Andy Hornby subscribed for 85,764 shares and Kirk Davis 50,000 shares concurrently with the Placing and Open Offer of new ordinary shares in the capital of the Company as part of the Company’s capital raising.

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.

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 2 January 2022, of £100 invested in The Restaurant Group plc on 1 January 2012 compared with the value of £100 invested in the FTSE Small Cap Index. On this basis the value, as at 2 January 2022, of £100 invested is as follows:

Total shareholder return



Source: Datastream (Thomson Reuters)

Total remuneration for the Chief Executive Officer for each of the last ten years:

	Andrew Page			Danny Breithaupt			Andy McCue				Andy Hornby		
£’000	2012	2013	2014 to 30.08.2014	2014 from 01.09.2014	2015	2016 to 12.08.2016	19.09.2016 to 01.01.2017	2017	2018	2019 to 30.06.2019	01.08.2019 to 29.12.2019	2020	2021
Total remuneration	3,070	3,840	4,559	913	1,429	387	242	1,116	730	645	371	518[2]	1,198[2]
Annual bonus[1]	100%	100%	75%	75%	69%	0%	20%	52%	0%	0%	0%	0%	60%
Annual LTIP vesting[1]	82%	93%	100%	94%	93%	0%	n/a	n/a	0%	0%	n/a	n/a	0%

1 As a percentage of maximum
2 Impacted by salary waivers

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 2 January 2022 and 27 December 2020.[1] The 'salary change' figures in the table below include the impact of salary waivers, however we have also included 'normalised' figures which exclude the effect of salary waivers, as this is considered more reflective of the actual increases.

	Salary change[2]	Normalised salary (without waivers)	Benefits change[2]	Bonus change[3]
Andy Hornby	21%	2%	-14%	100%
Kirk Davis	14%	2%	15%	100%
Ken Hanna[4]	n/a	n/a	–	–
Graham Clemett	34%	13%[5]	–	–
Zoe Morgan	26%	4%	–	–
Alison Digges	19%	–	–	–
Alex Gersh	n/a	n/a	–	–
Debbie Hewitt[6]	19%	–	–	–

1 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 and 2021, 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

2 Directors' salaries and fees take into account the voluntary waivers applied during 2020 and 2021. The salary changes from 2020 to 2021 relate mainly to voluntary salary waivers applying for 9 months in 2020 and for 3 months in 2021

3 Bonus change is calculated vs the prior year. No bonus was payable for 2020

4 Appointment date 1 December 2021

5 The percentage reflects an increase in fees as a result of his appointment as Senior Independent Director in November 2020

6 Retirement date 31 December 2021

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 2021 (as taken from the single figure remuneration table on page 48) 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
2020	Option A	23:1	23:1	20:1
2021	Option A	55:1	49:1	42:1

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 and 2021, given the mandatory shutdown of our restaurants and pubs at various times due to Covid-19, Option A includes employees who were placed on furlough under the Coronavirus Job Retention Scheme (CJRS) scheme during 2020 and, to a lesser extent, during 2021. 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) and 2021 (20% from 1 January to 31 March 2021)

2 The CEO's remuneration has been adjusted to reflect the non-payment of the 2020 bonus

3 Employee pay data is based on full time equivalent pay for UK employees as at 2 January 2022. 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 2021, as disclosed on page 48

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 2021 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 and 2021 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 and (to a lesser extent) 2021, our team members would have been in receipt of furlough payments due to restaurant closures and reduced trading, which will impact how the earnings levels compare

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 2020 and 2021, 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 2020 and 20% from July 2020 to 31 March 2021

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
2020	£21,765	£22,389	£24,960	£22,318	£22,649	£25,578
2021	£20,707	£22,597	£25,317	£21,880	£24,411	£28,491

Relative importance of spend on pay

£m	2020	2021	% change
Staff costs[1]	187.7	**245.6**	31%

1 Note 6 in the financial statements. 2020 and 2021 figures are shown net of furlough receipts

No dividends were paid in respect of either year.

Additional information

Andy Hornby and Kirk Davis both have a service contract with an indefinite term which is subject to 12 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 12 months of base salary only. There are no provisions in respect of change of control within either contract.

Unexpired term of Non-Executive Directors' service contracts

	Date of original appointment	Commencement date of current term	Unexpired term as at March 2022
Ken Hanna	1 December 2021	1 December 2021	2 years, 9 months
Graham Clemett	1 June 2016	1 June 2019	3 months
Alison Digges	1 January 2020	1 January 2020	10 months
Zoe Morgan	1 January 2020	1 January 2020	10 months
Alex Gersh	23 February 2021	23 February 2021	1 year, 11 months

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. The Committee is chaired by Zoe Morgan, who became the Committee Chairman from April 2020. None of the Committee members 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 eight 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 did not provide any other services to the Group during the year. Total fees paid to FIT in respect of their services in 2021 were £28,394 plus VAT (2020: £49,976 plus VAT).

FIT are a signatory to the Remuneration Consultants Group 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 judgement 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 25 May 2021:

Directors' remuneration report		
Votes cast in favour	488,542,426	80.09%
Votes cast against	121,423,243	19.91%
Total votes cast	609,965,669	–
Votes withheld	48,358,473	–

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 EGM dated 21 September 2020, which is 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 44 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).

	Purpose and link to strategy	Operation	Opportunity	Performance metrics
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.
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

15 March 2022

Directors' report

The Directors present their annual report together with the audited financial statements of the Company and the Group for the year ended 2 January 2022 with comparative information for the year ended 27 December 2020.

The Directors' report comprises these pages 55 and 56 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 4 to 23).

Results and dividends

The results for the year are set out in the consolidated income statement on page 70. This shows a statutory loss after tax of £38.4m (2020: loss after tax of £124.2m). If the impact of exceptional items is excluded then the Group adjusted loss after tax is £3.7m (2020: loss of £75.5m).

The closing mid-market price of the ordinary shares on 31 December 2021 (the last trading day before 2 January 2022) was 94.3p and the range during the financial year was 58.9p to 139.6p.

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 pages 116 and 117.

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 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 2023 (the review period), containing both a 'base case' and a 'stress case'. In the 'base case', the business is allowed to trade normally throughout the period without further trading restrictions, specifically the Group has forecast sales like-for-like performance to be broadly in line with the levels seen in the 33 weeks since trading resumed on 17 May 2021, and cost inflation of c. 5%. However, in the 'stress case' a further reduction in sales relating to a further variant of Covid-19 is expected in Winter 2022, plus sensitivities have been included for a 5% reduction in sales, and an additional 1% of cost inflation. In addition, the Group has performed a reverse stress case which has shown that the Group could withstand a further 6% fall in sales compared to the stress case before the covenant levels would be exceeded as at 31 March 2023, which in the context of the above the Directors consider remote.

The projections assume that tranches of the Term Loan facility will be repaid to improve balance sheet efficiency, subject to a governance process managed by the Board to ensure that appropriate liquidity is maintained throughout the review period.

In both base and stress case forecasts, the Group has sufficient liquidity and passes all relevant covenants within the review period. These covenants consist of a minimum liquidity covenant of £40.0m until the end of December 2022, and a leverage covenant test in December 2022, and March 2023.

Further details of the covenants are in Note 23 to the financial statements.

Following a review of the forecasts above, the Board has concluded that the going concern basis remains appropriate throughout the review period.

Directors and Directors' interests

The names of all persons who were Directors of the Company during the year can be found on page 26. Directors' interests in the shares of the Company can be found on page 47.

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 27. 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 2021 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 Environmental and Social report on pages 18 and 19.

Relationships with suppliers, customers and other business partners

Details of the Company's approach to suppliers, customers and other business partners are included in the Environmental and Social report on pages 16 to 23, while the Company's section 172 Statement on pages 14 and 15 sets out how the Directors have taken into account the needs of business partners and other stakeholders in decision-making.

Disabled employees

The Company's policy towards disabled employees is included in the Environmental and Social report on page 22.

Employee participation

The action taken during the year in relation to employee participation and engagement is included in the Environmental and Social report on pages 21 to 23 and the Corporate Governance report on pages 27 and 28.

Employee benefit trust (EBT) and share awards

Details of the Company's EBT arrangements can be found on page 100 (Note 21). Dividends on shares held by the EBT are waived.

The Company has an all employee Save As You Earn scheme, a Restricted Share Plan, and a Long-Term Incentive scheme. Details of share-based payments during the year can be found on pages 98 to 100 (Note 21).

Directors' report continued

Substantial shareholdings
Details of substantial shareholdings can be found on page 31.

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.

Details of the Company's share capital structure can be found on page 30.

Financial instruments and financial risk management
The Group's policy on the use of financial instruments is set out in Note 23 to the financial statements. The Group's financial instruments, financial risk management, and the key terms and covenants of the debt are set out in Note 23 to the financial statements.

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.

Future developments
The development of the business is set out in the Business review in the Strategic report on pages 5 to 8.

Corporate governance
The Company's statement on corporate governance can be found in the Corporate Governance report on page 25. The Corporate Governance report forms part of this Directors' report and is incorporated into it by cross-reference.

Political donations
The Company did not make any political donations during the year (2020: nil).

Independent Auditor
A resolution for the re-appointment of Ernst & Young LLP as Auditor to the Company will be proposed at the AGM. The Directors, on the advice of the Audit Committee, recommend their re-appointment.

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 Auditor is 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 Auditor is aware of that information.

By order of the Board.

Kirk Davis
Chief Financial Officer

15 March 2022

Senior Management Risk Committee

This report sets out the Company's approach to risk management, together with detail on the principal risks that face the Group and the mitigations we have put in place.

Risk Committee

The role of the Risk Committee is to assist the Board in its oversight of the current risk exposures of the Company and future risk strategy. 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 to the Audit Committee.

The Committee is chaired by the Chief Financial Officer and membership comprises 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.

Key roles and responsibilities within the Company's risk management framework

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 meets at least four times a year. 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. The Committee held four meetings in 2021.

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 considers 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 conflict in Ukraine, supply chain disruption and labour availability, to ensure that appropriate steps are taken at the right time.

Principal risk factors

Set out on the following page 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

Principal risks of the Group together with the mitigation plans and risk management strategy

Risk	Mitigating factors
Talent attraction and retention • Failure to attract, retain, or develop chefs, GMs, and senior managers.	• Implementation of a new recruitment process to enhance the quality of team selection. • Continued improvement of onboarding and induction process focused on the first 90 days of employment to improve employee engagement. • Extension of our apprenticeship schemes across the brands to further enhance team development with a particular focus on back of house roles. • Ongoing review of pay rates to ensure the brands are competitive within the regions they trade.
Allergens • Risk of guests suffering from the 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 is completed on induction by all restaurant employees across all businesses. • Allergy advice on menus with daily updates to source data.
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 with remediation activities completed where required. • CyberEssentials certification completed in 2021.
Inflation • Risk of significant cost increases across food, drink and utilities.	• Strategic purchasing and category management approach so that buyers can mitigate increases through negotiation, tender or by alternative supplier selection. • Streamlined supply base post restructuring in order to drive economies of scale and better purchasing power. • Rolling programme of securing either longer- or shorter-term contracts to mitigate pricing fluctuations. • Utilities hedging in place for 95% of 2022 volume and c.75% of volume for 2023 and 2024.
Supply chain management • Risk of loss of key supplier, 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.
Leisure portfolio management • Risk of losing profitable Leisure sites due to either lease break clauses under the CVA or Chiquito sites retained out of the administration.	• Ongoing dialogue with landlords and closely monitoring breaks and lease expiries. • Actively progressing lease regear discussions where an appropriate commercial deal can be done with the landlord. • Dedicated external advisory support where appropriate.
Covid-19 (risk of further waves) • Risk of further disrupted trading due to new Coronavirus variants and Government actions impacting the business's ability to trade fully and/or impact consumer confidence.	• Equity capital raise and refinancing completed in March 2021 to strengthen the balance sheet. • Operational processes established to react to any Covid-19 infections among team members. • Sites adapted to provide Covid-safe environments with enhanced cleaning procedures. • High-level plans in place should local or national closure be required. • Significant increase in delivery trade across Wagamama and Leisure brands provides some support for the loss of dine-in trade.

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 Group'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

15 March 2022

Kirk Davis
Chief Financial Officer

15 March 2022

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 2 January 2022 and of the Group's loss for the year 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 year ended 2 January 2022 which comprise:

Group	Parent Company
Consolidated balance sheet as at 2 January 2022	Balance sheet as at 2 January 2022
Consolidated income statement for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of changes in equity for the year then ended	Related Notes 1 to 7 to the financial statements including a summary of significant accounting policies
Consolidated statement of cash flows for the year then ended	
Related Notes 1 to 26 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Independence

We are independent of the Group and parent 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.

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.

Conclusions relating to going concern

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 confirmed our understanding of the Group's going concern assessment process and Management's related Board memoranda.
- We assessed the appropriateness of the duration of the going concern review period to the end of March 2023 and considered whether there are any known events or conditions that will occur beyond the period.
- We obtained cash flow forecast models used by the Board in its assessment, checked their arithmetical accuracy.
- We agreed the debt facilities included in the model to executed debt agreements and confirmed the calculation of covenants against the terms of these agreements.
- We understood the Board level governance process to maintain sufficient headroom should these debt facilities be partially early repaid in the review period, and confirmed appropriate disclosure around this.
- We challenged whether the assumptions included within the base and stress cases are appropriate, including those relating to Covid-19 trading recovery affecting revenue and inflation, by comparing them to internal Board approved budgets and external sources such as industry benchmarks.
- We challenged the adequacy of liquidity and covenant headroom in the base and stress case forecasts and applied additional sensitivity analysis on revenue and cost inflation as these are the most sensitive assumptions, in order to understand the Group's resilience to a range of downside scenarios.
- We confirmed the calculation of the reverse stress test scenario and considered the likelihood of occurrence as remote.
- We read the Board minutes to identify any matters that may impact the going concern assessment.
- 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 2023.

The material uncertainty related to going concern which existed in the financial statements for the period ended 27 December 2020 has been resolved as a result of the capital issue receiving shareholder approval on 29 March 2021.

We reported to the Audit Committee that the assessment of going concern was based on the repayment profile of the term loan as projected in the forecasts and that therefore any variations from this assumption in the review period are assumed to be managed by the Board in a manner so as to maintain appropriate levels of headroom.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Parent Company's ability to continue as a going concern for the review period to the end of March 2023.

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 relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

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 ability to continue as a going concern.

Independent Auditor’s report continued

Overview of our audit approach	
Audit scope	• We performed an audit of the complete financial information of the 2 components. • The components that we performed full audit procedures accounted for 100% of EBITDA before exceptional items, 100% of revenue and 100% of total assets of the Group.
Key audit matters	• Impairment of property, plant and equipment and right of use asset • Management override in the recognition of revenue
Materiality	• Overall Group materiality of £2.7m which represents 2.4% of EBITDA before exceptional items.

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 (2020: two components):

1. Wagamama; and

2. Leisure restaurants, Concessions and Pub operations.

Both components are accounted for in its London offices.

Our full scope procedures covered 100% of EBITDA before exceptional items, 100% of revenue and 100% of total assets of the Group (2020: 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.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact companies. The Group has set out its environmental agenda in the Environmental and social report section of the Annual report, including its ambition to achieve a net zero emissions carbon target by 2035, which forms part of the “Other information,” rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements and our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

As explained in the Basis of Preparation (Note 1(c) in the financial statements), governmental and consumer responses to climate change risks are still developing, and are interdependent upon each other, and consequently financial statements cannot capture all possible future outcomes as these are not yet known. The degree of certainty of these changes may also mean that they cannot be taken into account when determining asset and liability valuations and the timing of future cash flows under the requirements of the IFRS financial accounting framework upon which the financial statements are based. However, at this point the Company’s assessment is that there is not a material impact on the financial statements from climate change.

Our audit effort in considering climate change was focused on ensuring that the company's assertion that there was no material impact on the financial statements was consistent with our audit work, particularly in relation to asset values and associated disclosures where values are determined through modelling future cash flows, such as impairment of Property, plant & equipment and right of use assets, and in the determination of asset lives for indefinite life intangible assets. We also challenged the Directors' considerations of climate change in their assessment of going concern and viability and associated disclosures.

Whilst the Company has stated its commitment to achieve net zero emissions by 2035, the Company is currently unable to determine the full future economic impact on their business model, operational plans and customers to achieve this and therefore as set out above the potential impacts are not fully incorporated in these financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Impairment of property, plant and equipment and right-of-use asset (2021: £574.5m net book value and £25.9m net impairment charge; 2020: £669.2m net book value and £142.9m net impairment charge) *Refer to the Audit Committee report (page 34; Accounting policies (page 79); and Note 14 of the Consolidated Financial Statements (page 93)* At 2 January 2022 TRG operated c.400 sites (2020: c.400) which comprise the majority of the Group's property, plant and equipment (PPE) and right of use asset balance. As at 2 January 2022 the carrying value of PPE is £285.1m (2020: £300.3m) and right-of-use asset is £289.4m (2020: £368.9m). Management assessed for impairment indicators across all the Group's cash-generating units (CGUs), considering a range of indicators including a CGU's performance against budget and forecast EBITDA. 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.	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) assets impairment review: We analysed Management's forecasts underlying the impairment review against past and current performance and external future economic forecasts incorporating the impact of future Covid variants on the hospitality sector in the UK. We critically challenged and assessed the reasonableness of Management's recovery assumptions. We re-performed sensitivity analysis based on reasonable possible changes to key assumptions determined by Management being revenue, discount rate and long-term growth rate.	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 property, plant and equipment and right of use asset continued This is a significant risk due to 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 the complete reopening of the hospitality sector and the gradual improvement in international travel levels, hence the actual trading performing has been better that the budget in previous impairment assessments. The main assumptions are revenue recovery post Covid-19, related cost profile, discount rate, the long-term growth rate, cash flow forecasts and the risk factors for the impairment reversal. The impairment charge is treated as exceptional in the Income Statement.	We performed sensitivity analysis on three further scenarios – another Covid wave forecast in Winter 2022 having a similar impact to the recent Omicron wave, general sales sensitivity of 5% decline for months not impacted by the wave and 1% increase in cost inflation. Considering these sensitivity parameters, along with the repayment of term loan during the going concern review period, the forecast shows sufficient headroom in terms of liquidity in both, base case and downside scenarios. We engaged our EY internal specialists to independently calculate the appropriate discount rate range 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 in notes 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 restaurant and pub portfolio.	

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Management override in the recognition of revenue (2021: £636.3m; 2020: £459.8m) *Refer to the Accounting policies (page 74); and Note 4 of the Consolidated Financial Statements (page 83)* 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 prime risk relating to revenue to be around Management override of controls and topside journals to revenue across the two components, resulting in revenue being overstated or not recorded.	We gained an understanding through a walkthrough of the process and controls 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 selected the higher risk journal entries and other adjustments for testing throughout the period and paid special attention to the adjustments made at or near the end of the reporting period, post-closing adjustments and other adjustments made to record transactions outside the normal course of business and performed substantive procedures to obtain sufficient appropriate audit evidence that those entries were properly supported and approved. We searched for any topside journals to revenue. We performed cut-off testing procedures including review of post period end cash receipts and journals, and an analytical review of significant variances to the prior 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 key audit matters in relation to going concern and the adoption of IFRS 16 Leases, both of which had heightened risk at the time but have a lower risk in 2021 due to the successful equity issue followed by a £500m refinancing in March 2021 and IFRS 16 has now been adopted by the Group.

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 £2.7m (2020: £2.8m), which is 2.4% of EBITDA before exceptional items (2020: 5% of normalised profit before taxation and exceptional items). We have assessed that EBITDA before exceptional items is an appropriate materiality basis for 2021 due its prominence in financial reporting to the Group's equity and debt stakeholders in the context of the Group which remains loss-making at the pre-tax level and has not returned to a normalised level of profits yet.

Starting basis	• EBITDA – £118.1m
Adjustments	• Exceptional items before tax – £2.9m
Materiality	• EBITDA before exceptional items – £115.2m (materiality basis) • Materiality of £2.7m (2.4% of materiality basis)

We determined materiality for the Parent Company to be £6.8m (2020: £5.0m, which is 2% (2020: 2%) of net assets.

During the course of our audit, we reassessed initial materiality to ensure it is updated appropriately to take into account the most appropriate metrics for the users of the financial statements.

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% (2020: 50%) of our planning materiality, namely £1.4m (2020: £1.4m). 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 performance materiality allocated to components was £1.0m.

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 £0.14m (2020: £0.14m), 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 set out on pages 1 to 69 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 the 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.

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 55;
- 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 55;
- Directors' statement on fair, balanced and understandable set out on page 59;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 58;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 30 and;
- The section describing the work of the Audit Committee set out on page 34

Independent Auditor's report continued

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 59, 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 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 material 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

- Following the recommendation from the Audit Committee we were appointed by the Company on 25 May 2021 to audit the financial statements for the year ending 2 January 2022 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is four years, covering the years ending 30 December 2018 to 2 January 2022.
- We obtained approval from the FRC to provide non-audit services to the Group or the Parent Company that exceed the 70% fee cap.
- 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
15 March 2022

Consolidated income statement

	Note	53 weeks ended 2 January 2022			52 weeks ended 27 December 2020		
		Trading business £m	Exceptional items (Note 7) £m	Total £m	Trading business £m	Exceptional items* (Note 7) £m	Total £m
Revenue		636.6	–	636.6	459.8	–	459.8
Cost of sales		(548.2)	(21.4)	(569.6)	(470.6)	(37.8)	(508.4)
Gross profit/(loss)	5	88.4	(21.4)	67.0	(10.8)	(37.8)	(48.6)
Share of results of associate		(0.3)	–	(0.3)	(0.6)	–	(0.6)
Administration costs		(51.0)	(1.6)	(52.6)	(38.3)	(7.6)	(45.9)
Operating profit/(loss)		37.1	(23.0)	14.1	(49.7)	(45.4)	(95.1)
Interest payable	8	(45.7)	(1.9)	(47.6)	(38.2)	–	(38.2)
Interest receivable	8	0.6	–	0.6	0.4	–	0.4
Loss on ordinary activities before tax		(8.0)	(24.9)	(32.9)	(87.5)	(45.4)	(132.9)
Tax on profit/(loss) from ordinary activities	9	4.3	(9.8)	(5.5)	12.0	(3.3)	8.7
Loss for the year		(3.7)	(34.7)	(38.4)	(75.5)	(48.7)	(124.2)
Other comprehensive income							
Foreign exchange differences arising on consolidation		0.1	–	0.1	0.1	–	0.1
Total comprehensive loss		(3.6)	(34.7)	(38.3)	(75.4)	(48.7)	(124.1)
Loss per share (pence)							
Rights adjusted basic*	10	(0.5)	–	(5.3)	(13.4)	–	(22.1)
Rights adjusted diluted*	10	(0.5)	–	(5.3)	(13.4)	–	(22.1)

* Restated – refer to Note 2

EBITDA	115.2	2.9	118.1	53.4	97.5	150.9
Depreciation, amortisation and impairment	(78.1)	(25.9)	(104.0)	(103.1)	(142.9)	(246.0)
Operating profit/(loss) for the year	37.1	(23.0)	14.1	(49.7)	(45.4)	(95.1)

Consolidated balance sheet

	Note	At 2 January 2022 £m	At 27 December 2020* £m
Non-current assets			
Intangible assets	11	**599.9**	599.5
Right of use assets	12	**289.4**	368.9
Property, plant and equipment	13	**285.1**	300.3
Derivative financial instruments	23	**2.1**	–
Trade and other receivables	15, 18	**4.7**	3.0
		1,181.2	1,271.7
Current assets			
Inventory		**6.0**	5.1
Trade and other receivables	15, 18	**13.9**	16.1
Prepayments		**6.1**	8.8
Corporation tax debtor		**–**	0.1
Cash and cash equivalents	23	**146.5**	40.7
		172.5	70.8
Total assets		**1,353.7**	1,342.5
Current liabilities			
Trade and other payables	16	**(128.3)**	(116.7)
Provisions	17	**(6.0)**	(4.3)
Lease liabilities	18	**(73.1)**	(91.5)
		(207.4)	(212.5)
Net current liabilities		**(34.9)**	(141.7)
Long-term borrowings	23	**(318.1)**	(381.1)
Other payables		**–**	(1.3)
Deferred tax liabilities	19	**(41.9)**	(39.7)
Provisions	17	**(9.3)**	(8.3)
Lease liabilities	18	**(337.3)**	(392.3)
		(706.6)	(822.7)
Total liabilities		**(914.0)**	(1,035.2)
Net assets		**439.7**	307.3
Equity			
Share capital	20	**215.2**	165.9
Share premium		**394.1**	276.6
Other reserves		**0.1**	(3.9)
Retained earnings		**(169.7)**	(131.3)
Total equity		**439.7**	307.3

* Restated – refer to Note 2

The financial statements of The Restaurant Group plc (company registration number: SC030343) on pages 70 to 106 were approved by the Board of Directors and authorised for issue on 15 March 2022 and were signed on its behalf by:

Andy Hornby (CEO)

Kirk Davis (CFO)

Consolidated statement of changes in equity

	Note	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
Balance at 29 December 2019		138.2	249.7	(5.9)	19.9	401.9
Adjustment for IFRS 16 transition		–	–	–	(27.0)	(27.0)
Balance at 30 December 2019 (revised)		138.2	249.7	(5.9)	(7.1)	374.9
Loss for the year*		–	–	–	(124.2)	(124.2)
Other comprehensive income		–	–	0.1	–	0.1
Total comprehensive income/(loss)		–	–	0.1	(124.2)	(124.1)
Gross proceeds from share issue		27.7	29.3	–	–	57.0
Share issue transaction costs		–	(2.4)	–	–	(2.4)
Share-based payments		–	–	2.0	–	2.0
Deferred tax on share-based payments taken directly to other reserves	19	–	–	(0.1)	–	(0.1)
Balance at 27 December 2020		165.9	276.6	(3.9)	(131.3)	307.3
Loss for the year		**–**	**–**	**–**	**(38.4)**	**(38.4)**
Other comprehensive income		**–**	**–**	**0.1**	**–**	**0.1**
Total comprehensive income/(loss)		**–**	**–**	**0.1**	**(38.4)**	**(38.3)**
Gross proceeds from share issue		**49.3**	**125.9**	**–**	**–**	**175.2**
Share issue transaction costs		**–**	**(8.4)**	**–**	**–**	**(8.4)**
Share-based payments		**–**	**–**	**3.4**	**–**	**3.4**
Deferred tax on share-based payments taken directly to other reserves	19	**–**	**–**	**0.5**	**–**	**0.5**
Balance at 2 January 2022		**215.2**	**394.1**	**0.1**	**(169.7)**	**439.7**

* Restated – refer to Note 2

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

Consolidated cash flow statement

	Note	53 Weeks ended 2 January 2022 £m	52 weeks ended 27 December 2020 £m
Operating activities			
Cash generated from operations	22	**128.1**	3.2
Interest received		**–**	0.2
Interest paid		**(20.6)**	(15.7)
Corporation tax (paid)/repayment		**(2.6)**	5.1
Payment against provisions	17	**(5.9)**	–
Payment of exceptional costs	7	**(7.4)**	(34.9)
Net cash flows from operating activities		**91.6**	(42.1)
Investing activities			
Purchase of property, plant and equipment	13	**(31.1)**	(37.3)
Purchase of intangible assets	11	**(2.7)**	(1.9)
Proceeds from disposal of property, plant and equipment		**–**	3.3
Investment in associate		**(0.3)**	(0.6)
Net cash flows from investing activities		**(34.1)**	(36.5)
Financing activities			
Net proceeds from issue of ordinary share capital	20	**166.8**	54.6
Repayment of obligations under leases	18	**(48.7)**	(30.8)
Repayment of overdraft	23	**–**	(10.0)
Repayment of borrowings	23	**(383.6)**	(24.0)
Drawdown of borrowings	23	**330.0**	80.6
Upfront loan facility fee paid	23	**(14.6)**	(0.9)
Derivative financial instruments fees paid	23	**(1.6)**	–
Net cash flows used in financing activities		**48.3**	69.5
Net increase/(decrease) in cash and cash equivalents		**105.8**	(9.1)
Cash and cash equivalents at the beginning of the year	23	**40.7**	49.8
Cash and cash equivalents at the end of the year	23	**146.5**	40.7

Notes to the consolidated accounts

53 Weeks ended 2 January 2022

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 2 January 2022 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 pubs and 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 International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union ("IFRS").

(b) Going concern basis

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 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 2023 (the review period), containing both a 'base case' and a 'stress case'. In the 'base case', the business is allowed to trade normally throughout the period without further trading restrictions, specifically the Group has forecast sales like-for-like performance to be broadly in line with the levels seen in the 33 weeks since trading resumed on the 17 May 2021, and cost inflation of c. 5%. However, in the 'stress case' a further reduction in sales relating to a further variant of Covid-19 is expected in Winter 2022, plus sensitivities have been included for a 5% reduction in sales, and an additional 1% of cost inflation. In addition, the Group has performed a reverse stress case which has shown that the Group could withstand a further 6% fall in sales compared to the stress case before the covenant levels would be exceeded on 31 March 2023, which in the context of the above the Directors consider remote.

The projections assume that tranches of the Term Loan facility will be repaid to improve balance sheet efficiency, subject to a governance process managed by the Board to ensure that appropriate liquidity is maintained throughout the review period.

In both base and stress case forecasts, the Group has sufficient liquidity and passes all relevant covenants within the review period. These covenants consist of a minimum liquidity covenant of £40.0m until the end of December 2022, and a leverage covenant test in December 2022, and March 2023. Further details of the covenants are in Note 23 to the Financial Statements.

Following a review of the forecasts above, the Board has concluded that the going concern basis remains appropriate throughout the review period.

(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 2 January 2022 was a 53 week period, with the comparative year to 27 December 2020 being a 52 week period.

The consolidated financial statements are presented in pounds sterling and all values are rounded to the nearest hundred thousand except when otherwise indicated. They have been prepared on the historical cost basis, with the exception of derivative financial assets which are held at fair value.

The preparation of financial statements in conformity with International Accounting Standards and 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, 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.

1 Accounting policies for the consolidated accounts continued

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.

Through the Company's risk assessment process a number of material risks to the business were identified through 2021 with mitigating plans established to manage the risk in accordance with our risk appetite. Climate related risks were not identified as a material risk for the Group either for the Going Concern period or the period covering the Viability statement. Therefore the Group does not believe that there is a material impact on the financial statements from climate change. As the risk assessment process is iterative and the impact of any risk can change over time, the Group will continue to assess whether climate change has had or will have a material impact on the business, its operations and financial statements.

In addition, climate change consciousness is starting to change the behaviour of certain consumers and driving government action that may impose further requirements and cost on companies in the future. However, current financial statements cannot capture such possible future outcomes as they are not yet known. The Group will continue to assess climate change risks and its financial impact and update all stakeholders accordingly.

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.

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:

- IBOR Phase 2 (effective date 1 January 2021)
- Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16 (effective date 1 January 2022)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) (effective date 1 January 2023)
- Definition of Accounting Estimates (Amendments to IAS 8) (effective date 1 January 2023)
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) and Deferral of Effective Date Amendment (effective date 1 January 2023)

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 and will adopt the new and revised IFRSs as and when they become effective.

Changes in accounting policies
During the year, the Group has adopted the following new standards and interpretations. These have not had a material impact on the financial statements.

- 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)

(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. 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.

Notes to the consolidated accounts continued

1 Accounting policies for the consolidated accounts continued

(e) Foreign currency – 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 recognised in the consolidated income statement. Exchange differences arising from the retranslation of the net equity in associates is recognised in Other Comprehensive Income.

(f) Property, plant and equipment and intangible assets
Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and net impairment losses (see accounting policy l). 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.

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.

For sites which have incurred depreciation on an associated right of use asset, where the site is under construction, the depreciation charge is capitalised up to the date of opening.

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.

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
Leasehold improvements	Term of lease or 50 years, whichever is lower
Fixtures and equipment	3-10 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 l).

Intangible assets – Trademarks
Trademarks are recognised at fair value less any accumulated impairment losses. Trademarks are allocated to groups of CGUs defined by the original acquisition group. Trademarks assessed to have an indefinite useful life are formally tested for impairment at least annually or when an impairment trigger has arisen (see accounting policy l).

1 Accounting policies for the consolidated accounts continued

Intangible assets – Franchise agreements

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.

(g) Leases

i) 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. Right of use assets are assessed for impairment where required by IAS 36.

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.

ii) 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.

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.

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.

iii) 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 Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease 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. Where the sublease transfers substantially all the risks and rewards of ownership of the underlying asset, the head lease right of use asset has been derecognised and a net investment in the sublease is recognised. Where the sublease does not transfer substantially all the risks and rewards of ownership of the underlying asset, 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.

(h) Financial assets

– Classification

The classification of financial assets depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

1 Accounting policies for the consolidated accounts continued

Loans and receivables
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 and 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 expected credit loss.

Fair value through profit and loss
Financial assets classified as fair value through profit and loss relate to a interest rate cap that the Group has entered into during the year.

– Recognition and measurement

Loans and receivables
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.

Fair value through profit and loss
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

(i) 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 drawdown 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.

(j) 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.

(k) Cash and cash equivalents
Cash and cash equivalents comprise bank balances, cash balances on hand and in restaurants, and cash-in-transit for credit card transactions made within 72 working hours, providing there is no risk of cash return. 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.

Offsetting of overdrafts is only permitted (and, in fact, required) when:

- there is a legally enforceable right to set off recognised amounts; and
- an entity intends to settle on a net basis, or to realise the asset and settle the financial liability simultaneously.

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 six 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

(l) 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. 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 level of the relevant group of CGUs that benefit from the goodwill or other intangible asset. 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 and 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. 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.

(m) 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 Black-Scholes model is used to measure the fair value of the options granted. 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.

(n) 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. 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.

(o) Onerous property costs

The Group has a number of site related contractual commitments that are onerous and not included in the scope of IFRS 16. Where these exist, typically for closed sites, the Group provides for its estimate of the minimum cost of exiting the contracted commitments, such as rates, services and dilapidations where these are included in the contracts with landlords.

Estimates have been made with respect to the time to exit, sublet or cover the fixed cost base, along with other associated contracted 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. The amounts of future expenditures for site closure costs are reviewed semi-annually and are based on readily available information at the reporting date as well as management's historical experience of similar transactions.

(p) 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.

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.

(q) 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.

1 Accounting policies for the consolidated accounts continued

(r) Revenue
Revenue represents 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, licencing fees are recognised in cost of sales based on the turnover of the franchise site. Royalty revenue is accrued in line with reported sales performance once revenue can be reliably measured.

(s) 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.

(t) 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). 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), which was repaid in 2021.

(u) 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 discounts
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 7.

(v) 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.

(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.

1 Accounting policies for the consolidated accounts continued

Associates are accounted for using the equity method of accounting. 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. 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.

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, as noted in the (c) Basis of Preparation in Significant accounting policies, 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:

Estimates

i) 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, the calculation of the future cash flows and the longer term growth rate. These have been disclosed with sensitivities in Note 14.

Given the uncertainties inherent in the pandemic relating to legal and social restrictions, the availability of Government support and customer demand in the 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-19. 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.

ii) 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.

iii) Provisions for property costs

As disclosed in Note 17, the Group has made a provision for the contracted property-related costs of vacant sites for the period that a sublet or assignment of the lease is not expected to be possible. The Group measures these provisions using the expected value method. The Group has made an estimate of the length of time that will be required to meet those obligations as it is expected that the landlords will take possession back of these sites over time or that a sublet agreement could be reached.

1 Accounting policies for the consolidated accounts continued

iv) 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.

Critical accounting judgements
The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

i) 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 judgement. 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.

ii) Indefinite useful life of trademarks
When trademarks are acquired, the Company is required to assess the useful economic life of that trademark. The Group has assessed that all trademarks have an indefinite useful life and are not amortising these assets.

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 (NPS) 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.

iii) 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 Concessions business has a temporary difference from the other segments as the sales are temporarily depressed by the impact of travel restrictions following Covid-19. Management's expectation based on internal metrics and external forecasts is that the business will return to pre-pandemic levels in 12- 24 months. It is the Directors' judgement that all of the segments meet the requirements for aggregation under IFRS 8.

iv) Russia/Ukraine situation
Management acknowledge the current Russia/Ukraine situation and the potential impacts that this will have around the globe, and also on TRG, with respect to any increase in food and energy inflation, and possible reductions in consumer spending. The impacts of these are uncertain at this point and management feel that the sales and inflation assumptions used are appropriate but also acknowledge that this is an evolving situation and the impact on the Group may be larger than currently envisaged.

2 Restatement of comparatives

As a result of an FRC review of the 2020 Annual Report, the Directors reconsidered the accounting for capitalised right of use asset depreciation of £9.4m that arose during the fit-out period for four new Concessions sites. Part of that amount (£5.3m pre-tax) should have been considered as abnormal wastage and expensed in the prior year income statement as an exceptional item given that it related to a period during which the fit-out was interrupted by the pandemic. The impact of correcting this error is shown below.

	As originally disclosed £m	Adjustment £m	As restated £m
Consolidated income statement for the 52 weeks ended 27 December 2020			
Exceptional cost of sales	(32.5)	(5.3)	(37.8)
Exceptional tax on profit/(loss) from ordinary activities	(4.3)	1.0	(3.3)
Exceptional loss for the year	**(44.4)**	**(4.3)**	**(48.7)**
Loss for the year	**(119.9)**	**(4.3)**	**(124.2)**
Consolidated balance sheet as at 27 December 2020			
Property, plant and equipment	305.6	(5.3)	300.3
Deferred tax liabilities	(40.7)	1.0	(39.7)
Retained earnings	**(127.0)**	**(4.3)**	**(131.3)**

The above restatement has no effect on the 2020 pre-exceptional measures of Loss for the year (before or after tax) and EBITDA.

3 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 operating segments of:

- Wagamama
- Pubs
- Leisure
- 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 all of the segments meet the requirements for aggregation under IFRS 8.

Geographical Segments

The Group trades primarily within the United Kingdom and generates revenue from the operation of restaurants, with substantially all revenue generated within the United Kingdom. The Group generates some 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.

4 Reconciliation to underlying profit

The results used by the Directors to monitor and review the performance of the Group continue to reflect the IAS 17 approach to accounting 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.

	2021 Trading IAS 17 £m	Adjustments for IFRS 16 £m	**2021 Trading IFRS 16 £m**	Exceptional items (Note 7) £m	**2021 Total IFRS 16 £m**	2020 Total IFRS 16* £m
Revenue	**636.6**	–	**636.6**	–	**636.6**	459.8
Cost of sales	**(542.5)**	(5.7)	**(548.2)**	(21.4)	**(569.6)**	(508.4)
Gross profit/(loss)	**94.1**	(5.7)	**88.4**	(21.4)	**67.0**	(48.6)
Share of result of associate	**(0.3)**	–	**(0.3)**	–	**(0.3)**	(0.6)
Administration costs	**(51.0)**	–	**(51.0)**	(1.6)	**(52.6)**	(45.9)
Operating profit/(loss)	**42.8**	(5.7)	**37.1**	(23.0)	**14.1**	(95.1)
Interest payable	**(26.7)**	(19.0)	**(45.7)**	(1.9)	**(47.6)**	(38.2)
Interest receivable	**0.5**	0.1	**0.6**	–	**0.6**	0.4
Profit/(loss) before tax	**16.6**	(24.6)	**(8.0)**	(24.9)	**(32.9)**	(132.9)
EBITDA	**81.2**	34.0	**115.2**	2.9	**118.1**	150.9
Depreciation, amortisation and impairment	**(38.4)**	(39.7)	**(78.1)**	(25.9)	**(104.0)**	(246.0)
Operating profit/(loss)	**42.8**	(5.7)	**37.1**	(23.0)	**14.1**	(95.1)

* Restated – refer to Note 2

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:

4 Reconciliation to underlying profit continued

	2021 £m	2020 £m
Underlying Trading profit/(loss) before tax	**16.6**	(47.9)
Removal of rent expense	**34.0**	44.7
Net change in depreciation	**(39.7)**	(63.9)
Net change in net interest payable	**(19.0)**	(20.6)
Interest receivable on net investments in subleases	**0.1**	0.2
Trading loss before tax under IFRS 16	**(8.0)**	(87.5)

5 Profit for the year

	2021 £m	2020 £m
Profit for the year after exceptional items has been arrived at after charging/(crediting):		
Amortisation (Note 11)	**2.3**	2.5
Depreciation on right of use asset (Note 12)	**39.9**	64.1
Depreciation on property, plant and equipment (Note 13)	**35.9**	36.5
Loss on sale of property, plant and equipment	**2.4**	–
Impairment of property, plant and equipment and software (Note 13)	**12.6**	21.2
Impairment of right of use asset (Note 12)	**13.3**	121.7
Impairment on net investments in subleases	**0.1**	6.6
Purchases of food, beverages and consumables	**121.0**	99.5
Inventory write downs	**0.5**	3.6
Staff costs (Note 6)	**248.3**	202.9
Covid-19 Government grants	**10.9**	–
Variable rents	**17.6**	3.3
Rental income	**(0.2)**	(0.7)
Net rental costs	**17.4**	2.6

	2021 £m	2020 £m
Auditor's remuneration:		
Fees payable to the Company's Auditor for the audit of the Group's annual accounts	**0.4**	0.4
Fees payable to the Company's Auditor for the audit of the Subsidiaries' annual accounts	**0.1**	0.1
Total audit fees	**0.5**	0.5
Audit-related assurance services	**0.1**	0.1
Anticipated corporate activity	**–**	0.6
Other assurance services	**0.6**	–
Total non-audit fees	**0.7**	0.7
Total Auditor's remuneration	**1.2**	1.2
Non-audit: Audit Ratio	**1.4**	1.4

During the period, Auditor's remuneration of £0.6m was offset against the proceeds from issuance of shares, the remaining £0.6m was expensed as administration costs. In 2020 all Auditor's remuneration was expensed as administration costs.

The maximum non-audit fees that the statutory auditor of a public interest entity can bill in any one year is set at 70% of the average of the audit fees billed over the last three year period to the entity, it's Parent and its subsidiaries. Approval was obtained from the FRC to carry out Non-Audit services for a capital raise in March 2021 in excess of the 70% threshold. Please see the Audit Report for further details.

6 Staff costs

	2021	2020
a) Average staff numbers during the year (including Directors)		
Restaurant staff	**14,415**	15,843
Administration staff	**356**	425
	14,771	16,268

	2021 £m	2020 £m
b) Staff costs (including Directors) comprise*:		
Wages and salaries	**220.5**	163.5
Social security costs	**17.9**	17.8
Share-based payments	**3.4**	2.0
Pension costs and salary supplements	**3.8**	4.4
	245.6	187.7

	2021 £m	2020 £m
c) Exceptional staff costs:		
Severance pay	**2.7**	15.2

	2021 £m	2020 £m
d) Directors' remuneration		
Emoluments	**2.3**	1.3
Salary supplements	**0.1**	0.1
	2.4	1.4
Charge in respect of share-based payments	**0.9**	0.5
	3.3	1.9

* This is a net amount after Coronavirus Job Retention Scheme payments of £43.2m (2020: £123.5m)

Further details of the Directors' emoluments and the executive pension schemes are given in the Directors' remuneration report on pages 41 to 54.

Notes to the consolidated accounts continued

7 Exceptional items

	2021 £m	2020* £m
Included within cost of sales:		
– Impairment charges relating to trading sites	19.6	37.0
– Abnormal wastage (Note 2)	–	5.3
– Estate closure	0.6	5.5
– Disposal of assets in administration	–	9.9
– Estate restructuring	1.2	(19.0)
– Remeasurement of other provision	–	(0.9)
	21.4	37.8
Included within administration costs:		
– Integration costs	–	3.2
– Professional fees	1.6	3.2
– Disposal of US operation	–	1.2
	1.6	7.6
Included within interest payable:		
– Refinancing costs	1.9	–
Exceptional items before tax	24.9	45.4
Impact of tax rate change	12.2	4.8
Tax effect of exceptional Items	(2.4)	(1.5)
Net exceptional items for the year	34.7	48.7

* Restated – refer to Note 2

Impairment of assets

An impairment charge has been recorded against certain assets to reflect forecast results at several trading sites. This £19.6m charge comprises of an impairment of right of use assets of £9.5m (Note 12) and an impairment of property, plant and equipment of £10.1m (Note 13).

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, 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 amounting to £1.2m.

The key elements are onerous property cost provisions of £8.6m, payments to exit sites of £2.7m, staff redundancies of £2.7m, Impairment of non-trading sites of £6.3m and other costs of £0.9m.

This has been partially offset by lease liabilities exited amounting to a net credit of £4.9m, as well as rent concessions achieved of £15.1m.

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.

Refinancing costs

An exceptional charge of £1.9m has been recognised during the year as a result of the write off of capitalised loan fees on the previous facilities.

Tax rate change

The 2021 Budget in March 2021 announced an increase in the UK corporation tax rate to 25% with effect from 1 April 2023. This was substantively enacted on 24 May 2021. The total impact of the increase in tax rate on deferred tax was £12.2m, of which £14.8m related to the deferred tax asset associated with intangibles on the Wagamama trademark. This has been recognised as an exceptional item in the tax charge for the year as it is unrelated to underlying trading.

8 Net Interest payable

	2021 £m	2020 £m
Bank interest payable	22.3	15.6
Unwinding of discount on lease liabilities	19.6	21.0
Amortisation of facility fees	3.3	1.6
Other interest payable	0.5	–
Trading interest payable	45.7	38.2
Exceptional refinancing cost (Note 7)	1.9	–
Total interest payable	47.6	38.2
Unwinding of discounts on investments in subleases	(0.1)	(0.2)
Gain on derivative financial instrument	(0.5)	–
Other interest receivable	–	(0.2)
Total interest receivable	(0.6)	(0.4)
Total net finance charges	47.0	37.8

Notes to the consolidated accounts continued

9 Tax

	Trading 2021 £m	Exceptional 2021 £m	Total 2021 £m	Total 2020* £m
a) The tax charge comprises:				
Current tax				
UK corporation tax	0.7	(0.7)	–	(9.5)
Adjustments in respect of previous years	2.8	–	2.8	0.7
	3.5	(0.7)	2.8	(8.8)
Deferred tax				
Current year	(2.6)	(1.9)	(4.5)	(1.0)
Origination and reversal of temporary differences	–	–	–	(5.4)
Adjustments in respect of previous years	(5.2)	0.2	(5.0)	(0.9)
Charge in respect of rate change on deferred tax liability	–	12.2	12.2	4.5
Charge in respect of fixed asset impairment	–	–	–	2.9
	(7.8)	10.5	2.7	0.1
Total tax (credit)/charge for the year	(4.3)	9.8	5.5	(8.7)

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% (2020: 19%) due to the following factors:

	Trading 2021 £m	Exceptional 2021 £m	Total 2021 £m	Total 2020* £m
Loss on ordinary activities before tax	(8.0)	(24.9)	(32.9)	(132.9)
Loss on ordinary activities before tax multiplied by the standard UK corporation tax rate of 19% (2020: 19%)	(1.5)	(4.7)	(6.2)	(25.3)
Effects of:				
Depreciation/impairment on non-qualifying assets	1.3	0.6	1.9	4.9
Expenses not deductible for tax purposes	0.5	1.0	1.5	0.7
Movement on unrecognised deferred tax asset	(2.2)	0.6	(1.6)	2.4
Charge in respect of rate change on deferred tax liability	–	12.2	12.2	4.6
Effect of overseas tax rates	–	(0.1)	(0.1)	–
Adjustment in respect of previous years	(2.4)	0.2	(2.2)	(0.2)
Balances eliminated on entering administration	–	–	–	3.9
Share options	–	–	–	0.4
Movement in capital loss	–	–	–	(0.1)
Total tax (credit)/charge for the year	(4.3)	9.8	5.5	(8.7)

* Restated – refer to Note 2

The 2021 Budget in March this year announced an increase in the UK corporation tax rate to 25% with effect from 1 April 2023. This was substantively enacted on 24 May 2021.

10 Earnings per share

	2021	2020*
Weighted average ordinary shares for the purposes of basic earnings per share	722,182,407	562,652,429
Effect of dilution – share options	–	–
Diluted weighted average number of shares	**722,182,407**	**562,652,429**

	2021 £m	2020* £m
Loss for the year after tax	**(38.4)**	**(124.2)**
Effect of exceptional items on earnings for the year	34.7	48.7
Adjusted loss for the year after tax	**(3.7)**	**(75.5)**

	2021 pence	2020* pence
Basic loss per share for the year	**(5.3)**	**(22.1)**
Effect of exceptional items on earnings for the year per share	4.8	8.7
Adjusted loss per share	**(0.5)**	**(13.4)**
Diluted earnings per share on loss for the year	**(5.3)**	**(22.1)**
Diluted earnings per share on adjusted loss for the year	**(0.5)**	**(13.4)**

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 diluted earnings per share figures allow for the dilutive effect of the conversion into ordinary shares of the weighted average number of options outstanding during the year. Anti-dilutive shares that reduce the loss per share have been excluded from this calculation. There are 267,076 (2020: 84,176) share options excluded from the diluted earnings per share calculation because they would be anti-dilutive.

* The adjusted diluted earnings per share for the 52 weeks ended 27 December 2020 has been re-presented to take account of a correction in the calculation of dilutive shares for that period and a change in the presented loss after tax (refer to Note 2). No other measures have been affected

11 Intangible assets

	Goodwill £m	Trademarks and licences £m	Franchise agreements £m	Software and IT development £m	Total £m
Cost					
At 29 December 2019	357.1	236.0	21.9	4.8	619.8
Additions	–	–	–	1.9	1.9
Disposals	(14.5)	–	–	(0.3)	(14.8)
Reclassifications	–	–	–	(1.1)	(1.1)
At 27 December 2020	342.6	236.0	21.9	5.3	605.8
Accumulated amortisation and impairment					
At 29 December 2019	–	–	1.5	1.5	3.0
Charged during the year	–	–	1.4	1.1	2.5
Reclassifications	–	–	–	1.1	1.1
Disposals	–	–	–	(0.3)	(0.3)
At 27 December 2020	–	–	2.9	3.4	6.3
Cost					
At 27 December 2020	342.6	236.0	21.9	5.3	**605.8**
Additions	–	–	–	2.7	**2.7**
Disposals	–	–	–	(0.2)	**(0.2)**
At 2 January 2022	342.6	236.0	21.9	7.8	**608.3**
Accumulated amortisation and impairment					
At 27 December 2020	–	–	2.9	3.4	**6.3**
Charged during the year	–	–	1.5	0.8	**2.3**
Disposals	–	–	–	(0.2)	**(0.2)**
At 2 January 2022	–	–	4.4	4.0	**8.4**
Net book value as at 27 December 2020	342.6	236.0	19.0	1.9	599.5
Net book value as at 2 January 2022	342.6	236.0	17.5	3.8	**599.9**

The recoverable amount of the goodwill and trademark CGUs is £1,337.6m as at 2 January 2022 (£1,589.0m as at 27 December 2020). 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 10.6% (2020: 8.7%) that reflects the risk of these assets. Cash flows are extrapolated in perpetuity with an annual growth rate of 2-3% (2020: 2-3%). 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.

11 Intangible assets continued

	Trademarks & licences £m	Goodwill £m	Total intangibles £m	Recoverable amount £m
Wagamama	236.0	315.5	551.5	1,079.7
Brunning & Price	–	15.2	15.2	213.5
Blubeckers	–	11.3	11.3	42.6
Ribble Valley Inns	–	0.6	0.6	1.8
	236.0	**342.6**	**578.6**	**1,337.6**

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.

The Company has assessed that the Wagamama trademark of £236.0m (2020: £236.0m) has an indefinite useful life, and therefore is not amortising this asset. If the trademark was amortised on a straight line basis over a period of 25 years, an additional £9.4m (2020: £9.4m) of depreciation would be recognised.

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.

	2021 £m	2020 £m
Right of use assets at beginning of year	**368.9**	819.5
Additions	**18.4**	18.0
Disposals	**(4.6)**	(167.8)
Depreciation	**(39.9)**	(73.5)
Remeasurements	**(40.1)**	(105.6)
Impairment (Note 7)	**(13.3)**	(121.7)
Right of use assets at reporting date	**289.4**	368.9

When indicators of impairment exist, right of use assets are assessed for impairment. As described in Note 14, all non-current assets were assessed at the end of 2021.

Notes to the consolidated accounts continued

13 Property, plant and equipment

	Land and buildings £m	Fixtures, equipment and vehicles £m	Total £m
Cost			
At 29 December 2019	647.3	265.3	912.6
Adjustment on transition to IFRS 16	(3.2)	–	(3.2)
At 30 December 2019 (Restated)	644.1	265.3	909.4
Additions*	22.6	17.9	40.5
Disposals	(96.3)	(46.6)	(142.9)
Reclassifications	–	1.1	1.1
At 27 December 2020*	570.4	237.7	808.1
Accumulated depreciation and impairment			
At 29 December 2019	380.7	196.2	576.9
Adjustment on transition to IFRS 16	(1.3)	–	(1.3)
At 30 December 2019 (Restated)	379.4	196.2	575.6
Provided during the year	16.4	20.1	36.5
Impairment	23.0	8.1	31.1
Impairment reversals	(7.7)	(2.2)	(9.9)
Disposals	(81.7)	(42.7)	(124.4)
Reclassifications	–	(1.1)	(1.1)
At 27 December 2020	329.4	178.4	507.8
Cost			
At 27 December 2020	570.4	237.7	**808.1**
Additions	19.3	16.4	**35.7**
Disposals	(41.0)	(82.3)	**(123.3)**
At 2 January 2022	548.7	171.8	**720.5**
Accumulated depreciation and impairment			
At 27 December 2020	329.4	178.4	**507.8**
Provided during the year	14.1	21.8	**35.9**
Impairment (Note 7)	13.0	11.1	**24.1**
Impairment reversals (Note 7)	(3.7)	(7.8)	**(11.5)**
Disposals	(39.5)	(81.4)	**(120.9)**
At 2 January 2022	313.1	122.1	**435.4**
Net book value as at 27 December 2020	241.0	59.3	**300.3**
Net book value as at 2 January 2022	235.4	49.7	**285.1**

* Restated – refer to Note 2

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

13 Property, plant and equipment continued

The difference between the purchase of property plant and equipment in the cash flow statement and the additions to property plant and equipment in Note 13 relates entirely to fixed asset accruals.

	2021 £m	2020 £m
Net book value of land and buildings:		
Freehold	**103.2**	98.8
Long leasehold (leasehold improvements)	**3.7**	3.7
Short leasehold (leasehold improvements)	**128.5**	138.5
	235.4	241.0

Capital commitments

At 2 January 2022, the Group had commitments of £Nil (2020: £Nil).

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 as at 27 December 2020 and, where this is higher than the value in use, we rely on freehold values in our impairment reviews. These valuations are not expected to have materially moved in the period and therefore have been used for the 2021 impairment calculation.

Discount rates used in the value in use calculations are estimated with reference to our Group weighted average cost of capital. For 2021, we have applied the discount rate of 10.6% to all assets (2020: 8.7%). The higher discount rate used in 2021, reflects that a greater proportion of the capital structure is equity following the capital raise which requires a higher rate of return.

For the current period, value in use estimates have been prepared on the basis of the forecast described above in Note 1 under the heading “Going concern basis”. The most significant assumptions and estimates relate to revenue recovery forecast on site-by-site cash flows. It is assumed that our businesses, with the exception of Concessions, maintain a steady recovery in revenues, with Wagamama being the quickest to recover. Concessions is assumed to recover more slowly, however passenger numbers are forecast to return to 2019 levels in 2024.

Results of impairment review

Impairment has been recorded in a number of specific CGUs, as well as impairment reversals. A net impairment charge of £25.9m (2020: £142.9m) has been recognised, of which £12.6m was recorded against Property, Plant & Equipment (“PPE”) and a further £13.3m against right of use assets. This is a gross impairment charge of £49.2m offset by impairment reversals of £23.3m.

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 discount rates applied and the forecast cash flows. 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 well as discount rates used as outlined the going concern basis in Note 1(b).

The sensitivity analysis of forecast cash flows with a 5% reduction in sales would give rise to an additional Group impairment of approximately £44.6m across PPE and right of use assets, made up of an increase in impairment of £33.5m and a reduction in impairment reversals of £11.1m. Furthermore, this reduction in sales would also give rise to an impairment to the Goodwill in Blubeckers Limited and Ribble Valley Inns Limited of £10.1m, and £1.6m respectively. An increase in inflation rate of 2% would give rise to additional impairment of £27.9m, made up of an increase in the impairment expense of £20.6m and a reduction in the impairment reversals of £7.3m. A decrease in inflation rate of 2% would give rise to a reduction in impairment of £19.1m, made up of a reduction in the impairment expense of £11.3m and a increase in the impairment reversals of £7.8m. An increase in discount rate of 1% would give rise to additional impairment of approximately £2.5m, made up of an increase in the impairment expense of £1.6m and a reduction in the impairment reversals of £0.9m.

Additionally, we have conducted sensitivity assessments on terminal growth rate, freehold valuations, and risk factors but a reasonably possible change was not material to the impairment charge.

15 Trade and other receivables

	2021 £m	2020 £m
Amounts falling due within one year:		
Net investment in subleases	0.5	0.6
Trade and other receivables	13.4	15.5
	13.9	16.1
Amounts falling due after one year:		
Net investment in subleases	2.3	3.0
Long term receivables	2.4	–
	4.7	3.0

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. The expected credit loss included in other receivables is immaterial.

The £2.4m in long term receivables relates to a $3.3m USD loan arrangement the Group has with a US based restaurant business. The loan has an annual interest rate of LIBOR +10% and a maturity of April 2024.

16 Trade and other payables

	2021 £m	2020 £m
Amounts falling due within one year:		
Trade payables	21.7	40.1
Other tax and social security	12.9	18.0
Other payables	21.2	16.3
Accruals	72.5	42.3
	128.3	116.7

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 Group has assessed the risk of this happening as remote.

17 Provisions

	2021 £m	2020 £m
Property cost provisions	**12.9**	11.3
Other provisions	**2.4**	1.3
Balance at the end of the year	**15.3**	12.6
Analysed as:		
Amount due for settlement within one year	**6.0**	4.3
Amount due for settlement after one year	**9.3**	8.3
	15.3	12.6

	Property cost provisions £m	Other provisions £m	Total £m
At 27 December 2020	11.3	1.3	**12.6**
Remeasurement	6.2	2.4	**8.6**
Amounts utilised	(4.6)	(1.3)	**(5.9)**
Unwinding of discount	–	–	**–**
At 2 January 2022	12.9	2.4	**15.3**

Property cost provisions

A provision is made for property-related costs for the period that a sublet or assignment of the lease is not expected to be possible. The amount and timing of the cash outflows are subject to uncertainty. The average period over which the provision is expected to be utilised is 2.3 years which is a key assumption in the valuation of the provision. An increase of one year in the expected period over which a sublet or assignment is not expected to be possible would result in an increase in the provision of £3.4m, whilst a decrease would result in a reduction on the provision of £3.5m.

Onerous contract and other property provisions are discounted using a discount rate of 1.0% (2020: 1.0%) based on an approximation for the time value of money.

Other provisions

Other provisions includes a best estimate of the liability in respect of a constructive obligation to meet certain lease payments of a restaurant operated by an associate, the liability for which is considered probable on the closure of that restaurant, most likely within a year.

18 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.

	2021 £m	2020 £m
At 27 December 2020	**483.8**	933.4
Additions	**18.4**	18.0
Unwinding of discount on lease liabilities	**19.6**	21.0
Cash payments made	**(48.7)**	(30.8)
Liabilities extinguished in disposals	**(9.5)**	(335.7)
Remeasurements	**(53.2)**	(122.1)
At 2 January 2022	**410.4**	483.8
Analysed as:		
Amount due for settlement within one year	**73.1**	91.5
Amount due for settlement after one year	**337.3**	392.3
	410.4	483.8

18 Lease liabilities and net investments in subleases continued

The Group leases various buildings which are used for the purpose of operating pubs and restaurants. The leases are non-cancellable operating leases with varying terms and renewal rights, and include variable payments that are not fixed in amount but based upon a percentage of sales.

The total value of expense relating to low value leases in 2021 was £7,793 (2020: £61,588).

In addition to the unwinding of discount on lease liabilities noted in the above table and depreciation on right of use assets, the Group is exposed to leases where future cash outflows are not reflected in the lease liabilities because the agreements are based on variable lease payments in the form of turnover rent. The Group also incurred £0.6m (2020: £2.3m) of costs relating to short term leases.

As at 2 January 2022, the Group was not committed to any leases with future cash outflows which had not yet commenced.

Sensitivity to changes in assumptions

Termination Options

Some leases contain termination options exercisable by group before the end of the non-cancellable period. These extension and termination options held are exercisable only by the group and not by the lessors. The group assesses at lease commencement whether it is reasonably certain to exercise the extension or termination options. The group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

The group has estimated that the potential future lease payments, should it exercise the termination options, would result in a decrease in cash outflows of £105.0m.

Discount Rate

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, calculated on a lease by lease basis. Lease liabilities are subsequently unwound using the same discount rate and included in finance expense in the Group Profit and Loss. Increasing the discount rate by 1% would lead to an increased interest expense of £0.5m, while decreasing by 1% would lead to a decrease of £0.6m.

(b) Group as lessor

All income relates to fixed rental receipts. Movements in the net investment in lease assets included income of £0.9m and an expected credit loss provision of £2.8m. There was no income from leases classified as operating leases.

Finance leases

Undiscounted lease receipts relating to finance leases for future years are set out in the table below. The total in the table for Finance Leases 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.

	2021 £m	2020 £m
Amounts receivable in the next year	1.1	0.8
Amounts receivable in 1-2 years	0.9	0.6
Amounts receivable in 2-3 years	0.9	0.4
Amounts receivable in 3-4 years	0.9	0.4
Amounts receivable in 4-5 years	0.8	0.4
Amounts receivable after 5 years from the balance sheet date	6.5	4.0
Total	11.1	6.6

18 Lease liabilities and net investments in subleases continued

Operating leases

	2021 £m	2020 £m
Amounts receivable in the next year	**0.4**	0.4
Amounts receivable in 1-2 years	**0.4**	0.3
Amounts receivable in 2-3 years	**0.3**	0.2
Amounts receivable in 3-4 years	**0.3**	0.1
Amounts receivable in 4-5 years	**0.3**	0.1
Amounts receivable after 5 years from the balance sheet date	**3.9**	0.8
Total	**5.6**	1.9

19 Deferred taxation

	Capital allowances £m	Intangible assets £m	Share options £m	Losses* £m	Other £m	2021 Total £m	2020* Total £m
As at 27 December 2020	0.7	48.7	(0.3)	(4.9)	(4.5)	**39.7**	39.5
Movement in deferred tax balances (net of exceptional credit)	(0.7)	14.8	(0.7)	(3.5)	(2.2)	**7.7**	1.0
Adjustments in respect of previous years	(0.2)	(0.1)	–	(6.3)	1.6	**(5.0)**	(0.9)
Deferred tax taken directly to the income statement (Note 9)	(0.9)	14.7	(0.7)	(9.8)	(0.6)	**2.7**	0.1
Tax on share-based payments	–	–	(0.5)	–	–	**(0.5)**	0.1
Deferred tax taken through equity	–	–	(0.5)	–	–	**(0.5)**	0.1
As at 2 January 2022	(0.2)	63.4	(1.5)	(14.7)	(5.1)	**41.9**	39.7

	2021 £m	2020* £m
Deferred tax consists of:		
Capital allowances in advance of depreciation	**(0.2)**	0.7
Intangible assets	**63.4**	48.7
Share options	**(1.5)**	(0.3)
Tax losses	**(14.7)**	(4.9)
Other temporary differences	**(5.1)**	(4.5)
	41.9	39.7

* Restated – refer to Note 2

During the year the Group recognised a deferred tax asset of £2.4m (2020: £Nil) relating to corporate interest restrictions. At 2 January 2022 the Group had an unrecognised deferred tax asset of £0.5m (2020: £2.9m) relating to losses.

20 Share capital

	Number	£m
Authorised, issued and fully paid		
At 27 December 2020	589,795,475	165.9
Shares issued in the year	175,251,125	49.3
At 2 January 2022	765,046,600	215.2

The shares have a par value of 28.125p each (2020: 28.125p).

On 10 March 2021, the Company issued 175,241,238 shares for an offer price of 100.0p, generating gross proceeds of £175.2m. Expenses of £8.4m were incurred and have been offset in the share premium account leaving net proceeds of £166.8m.

	Number	£m
Treasury shares		
At 27 December 2020	66,955	0.2
Shares transferred in the period	(50,588)	(0.1)
At 2 January 2022	16,367	0.1

The Treasury shares are held to satisfy the Group's long term deferred bonus incentive scheme.

21 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 £3.4m (2020: £2.0m).

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.

Restricted Share Plan

The Group has issued a 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.

Year ended 2 January 2022

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	6,569,564	6,643,375	–	(6,569,564)	6,643,375	–
2024	Restricted Share Plan	127.0p	–	2,174,660	–	–	2,174,660	–

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
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.

Vesting of share options under the Restricted Share Plan is dependent on continuing employment as set out in the scheme rules.

In exceptional circumstances, employees may be permitted to exercise options before the normal vesting date.

21 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 Black-Scholes pricing model.

Year ended 2 January 2022

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
2020-2021	243.8p	85,395	–	–	–	(85,395)	–	–
2021-2022	239.5p	114,428	–	(60,482)	–	(11,648)	42,298	–
2022-2023	112.7p	462,991	–	(186,869)	(4,036)	(31,617)	240,469	–
2023-2024	52.0p	6,461,939	–	(743,006)	(5,851)	(29,257)	5,683,825	–
2024-2025	88.0p	–	1,550,073	(44,996)	–	–	1,505,077	–
Total number		**7,124,753**	**1,550,073**	**(1,035,353)**	**(9,887)**	**(157,917)**	**7,471,669**	**–**
Weighted average exercise price		**61.3p**	**88.0p**	**75.5p**	**76.8p**	**181.7p**	**62.3p**	**–**

The weighted average remaining contractual life for the shares outstanding at the end of the period is 2.08 years (2020: 2.80 years).

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**	**–**

21 Share-based payment schemes continued

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.

Year ended 2 January 2022

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
2021	Conditional – TSR element	128.0p	412,536	–	–	(412,536)	–	–
2021	Conditional – EPS element	226.0p	412,536	–	–	(412,536)	–	–
2021	Conditional – TSR element	149.0p	12,564	–	–	(12,564)	–	–
2021	Conditional – EPS element	276.6p	12,564	–	–	(12,564)	–	–
2022	Conditional – TSR element	44.6p	1,708,606	1,727,803	–	(1,708,606)	1,727,803	–
2022	Conditional – EPS element	112.4p	1,708,606	1,727,803	–	(1,708,606)	1,727,803	–
2022	Conditional – TSR element	69.7p	763,378	771,959	–	(763,378)	771,959	–
2022	Conditional – EPS element	149.7p	763,378	771,959	–	(763,378)	771,959	–
Total number			**5,794,168**	**4,999,524**	**–**	**(5,794,168)**	**4,999,524**	**–**

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)	412,536	–
2021	Conditional – EPS element	226.0p	514,931	–	–	(102,395)	412,536	–
2021	Conditional – TSR element	149.0p	12,564	–	–	–	12,564	–
2021	Conditional – EPS element	276.6p	12,564	–	–	–	12,564	–
2022	Conditional – TSR element	44.6p	2,158,618	–	–	(450,012)	1,708,606	–
2022	Conditional – EPS element	112.4p	2,158,618	–	–	(450,012)	1,708,606	–
2022	Conditional – TSR element	69.7p	817,632	–	–	(54,254)	763,378	–
2022	Conditional – EPS element	149.7p	817,632	–	–	(54,254)	763,378	–
Total number			**7,460,924**	**–**	**–**	**(1,666,756)**	**5,794,168**	**–**

Assumptions used in valuation of share-based payments granted in the year ended 2 January 2022:

Scheme	2021 RSP	2021 SAYE	2020 RSP	2020 SAYE
Grant date	01/04/2021	01/12/2021	08/10/2020	08/12/2020
Share price at grant date	**127.0p**	**85.8p**	54.0p	70.0p
Exercise price	**N/A**	**88.0p**	N/A	51.3p
No. of options originally granted	**2,174,660**	**1,550,073**	6,589,488	6,493,189
Minimum vesting period	**3 years**	**3 years**	3 years	3 years
Expected volatility[1]	**N/A**	**81.5%**	N/A	80.7%
Contractual life	**3 years**	**3 years**	3 years	3 years
Risk free rate	**N/A**	**0.57%**	N/A	0.06%
Expected dividend yield	**N/A**	**1.25%**	N/A	0.00%
Expected forfeitures	**12.0%**	**9.0%**	23.0%	27.0%
Fair value per option	**127.0p**	**45.0p**	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 3.25 years prior to the grant has been used

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 2 January 2022, the Trustees, Estera Trust (Jersey) Limited, held 572,565 shares in the Company (27 December 2020: 591,480 shares).

22 Reconciliation of profit before tax to cash generated from operations

	2021 £m	2020 £m
Loss on ordinary activities before tax	(32.9)	(132.9)
Net interest payable	45.1	37.8
Exceptional items (Note 7)*	24.9	45.4
Share of result of associate	0.3	0.6
Share-based payments	3.4	2.0
Depreciation and amortisation	78.1	103.1
(Increase)/decrease in inventory	(0.9)	3.6
Decrease in receivables	5.1	15.9
Increase/(decrease) in creditors	5.0	(72.3)
Cash generated from operations	128.1	3.2

* Restated – refer to Note 2

Of the cash and cash equivalents at 2 January 2022, £40.0m is maintained in support of minimum liquidity requirements under borrowing covenants.

	2021 £m	2020 £m
Reconciliation of net cash from operations to free cash flow		
Net cash flows from operating activities	91.6	(42.1)
Payment on exceptionals	7.4	34.9
Payment of obligations under leases	(48.7)	(30.8)
Refurbishment and maintenance expenditure	(19.0)	(21.9)
Payment against provisions	13.4	9.3
Free cash flow	44.7	(50.6)

23 Financial instruments and derivatives

Financial assets

The financial assets of the Group, which are classified at amortised cost and fair value through profit and loss, comprise:

	2021 £m	2020* £m
Cash and cash equivalents	146.5	40.7
Other receivables	18.6	19.1
Financial assets at amortised cost	165.1	59.8
Derivative financial instrument	2.1	–
Financial assets at fair value through profit and loss	2.1	–
Total financial assets	167.2	59.8

* Restated to include long term other receivables

Cash and cash equivalents are comprised of cash at bank and cash floats held on site. The cash and cash equivalents balance includes £5.4m (2020: £0.7m) of credit card receipts that were cleared post year end.

Cash and cash equivalents also include £0.9m (2020: £0.8m) held on account in respect of deposits paid by tenants under the terms of their rental agreement.

During the period, the Group entered into a derivative in the form of an interest rate cap which is measured at fair value through the profit and loss. The interest rate cap has an effective date of November 2022 to November 2025, for a value of £100.0m. The strike price of the interest rate cap is 0.75%. Net gains or losses associated to the movement in the fair value of the interest rate cap do not include any interest paid relating to the interest rate cap.

23 Financial instruments and derivatives continued

Financial liabilities
The financial liabilities of the Group, all of which are classified as other financial liabilities at amortised cost, comprise:

	2021 £m	2020 £m
Trade and other payables	128.3	116.7
Lease liabilities	73.1	91.5
Short-term financial liabilities	**201.4**	208.2
Long-term borrowings – at fixed interest rates	–	225.0
Long-term borrowings – at floating interest rates[1]	330.0	158.6
Bank fees	(11.9)	(2.5)
Lease liabilities	337.3	392.3
Other payables	–	1.3
Long-term financial liabilities	**655.4**	774.7
Total financial liabilities	**856.8**	982.9

1 Total financial liabilities attracting interest were £330.0m (2020: £383.6m). 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 5.70% (2020: 3.50%)

On 2021 results, net interest was covered 2.5 times (2020: 1.4 times) by earnings before interest, tax, depreciation and exceptional items. Based on year-end debt and earnings for 2021, a 1% rise in interest rates would reduce interest cover to 2.3 times (2020: 1.4 times).

At 2 January 2022, the interest rate on the Term Loan is 6.5% above LIBOR. A commitment fee of 1.2% is charged on the undrawn Revolving Credit Facility. The maturity dates on the Group's debt facilities are as follows: May 2026 for the Term Loan; and May 2025 for the Revolving Credit Facility.

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 the Term Loan and Revolving Credit Facility. The Group is required to maintain a net debt to EBITDA ratio and a minimum liquidity requirement of £40.0m. The leverage covenants do not take effect until December 2022, subject to maintaining the £40.0m minimum liquidity requirement.

23 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 Term Loan and Revolving Credit Facility.

The Term Loan and Revolving Credit Facility are secured by a fixed charge over the shares and intellectual property of TRG (Holdings) Limited, The Restaurant Group (UK) Limited, Blubeckers Limited, Brunning and Price Limited, TRG Concessions Limited, Wagamama Limited and Wagamama Group Limited, as well as a floating charge on all present and future assets, property, business, undertaking 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 2 January 2022	Trade and other payables excluding tax £m	Fixed rate loan £m	Floating rate loan £m	Lease liability debt £m	Total £m
Within one year	128.3	–	24.6	74.6	**227.5**
Within one to two years	–	–	24.6	58.4	**83.0**
Within two to three years	–	–	24.6	53.4	**78.0**
Within three to four years	–	–	23.7	47.8	**71.5**
Within four to five years	–	–	353.1	40.2	**393.3**
After five years	–	–	–	262.7	**262.7**
	128.3	–	450.6	537.1	**1,116.0**

At 27 December 2020	Trade and other payables excluding tax £m	Fixed rate loan £m	Floating rate loan £m	Lease liability debt £m	Total £m
Within one year	116.7	9.6	14.0	94.1	**234.4**
Within one to two years	–	4.6	144.6	65.0	**214.2**
Within two to three years	–	225.2	–	61.1	**286.3**
Within three to four years	–	–	–	56.1	**56.1**
Within four to five years	–	–	–	52.0	**52.0**
After five years	–	–	–	289.9	**289.9**
	116.7	239.4	158.6	618.2	**1,132.9**

Notes to the consolidated accounts continued

23 Financial instruments and derivatives continued

Fair value of financial assets and liabilities

Financial assets at fair value

There were no transfers between Levels 1, 2 and 3 fair value measurements during the current or prior period. The Group has no financial assets or liabilities that require measurement using Level 2 or Level 3 measurement techniques as defined by IFRS 13.

Long-term borrowings

	At 2 January 2022			At 27 December 2020		
	Drawn £m	Available facility £m	Total facility £m	Drawn £m	Available facility £m	Total facility £m
High yield bond	–	–	–	225.0	–	225.0
Term loan	330.0	–	330.0	–	–	–
Revolving credit facilities	–	111.6	120.0	108.6	78.0	195.0
CLBILS*	–	–	–	50.0	–	50.0
Total banking facilities	330.0	111.6	450.0	383.6	78.0	470.0
Unamortised loan fees	(11.9)			(2.5)		
Long-term borrowings	318.1			381.1		
Cash and cash equivalents	146.5	146.5		40.7	40.7	
Pre-lease liability net debt	171.6			340.4		
Lease liabilities	410.4			483.8		
Net debt	582.0			824.2		
Cash headroom		258.1			118.7	

The Group has covenants over both the term loan and the revolving credit facilities (RCF). Until 31 December 2022, both facilities require a minimum liquidity level of £40.0m which is measured as the total of cash and undrawn facilities. On the term loan, from 31 December 2022, the covenant requires total net debt to be no more than 5.0x EBITDA, reducing to 4.5x at June 2023. On the RCF, the Group is required to maintain total net debt to EBITDA below 5.5x at 31 December 2022, and 4.75x at 30 June 2023. In addition, the ratio of RCF debt to EBITDA can be no more than 1.5x from June 2022, when the RCF is drawn.

The available revolving credit facilities are reduced from the total facility by £8.4m of letters of credit issued to external suppliers.

* CLBILS was fully paid on 17 May 2021

Net Debt

	Cash and cash equivalents £m	Overdraft £m	Bank loans falling due after one year £m	Finance leases £m	Lease liabilities £m	Total £m
Balance as at 29 December 2019	49.8	(10.0)	(323.8)	(2.6)	–	(286.6)
Adjustment on transition to IFRS 16	–	–	–	2.6	(933.4)	(930.8)
Opening balance as at 30 December 2019	49.8	(10.0)	(323.8)	–	(933.4)	(1,217.4)
Net drawdown of borrowings	56.6	–	(56.6)	–	–	–
Repayment of overdraft	(10.0)	10.0	–	–	–	–
Upfront loan facility fee paid	(0.9)	–	0.9	–	–	–
Repayment of obligations under leases	(30.8)	–	–	–	30.8	–
Non-cash movements in the year	–	–	(1.6)	–	418.8	417.2
Net cash outflow	(24.0)	–	–	–	–	(24.0)
Balance as at 27 December 2020	40.7	–	(381.1)	–	(483.8)	(824.2)
Net repayments of borrowings	(53.6)	–	53.6	–	–	–
Upfront loan facility fee paid	(14.6)	–	14.6	–	–	–
Repayment of obligations under leases	(48.7)	–	–	–	48.7	–
Non-cash movements in the year	–	–	(5.2)	–	24.7	19.5
Net cash inflow	222.7	–	–	–	–	222.7
Balance as at 2 January 2022	146.5	–	(318.1)	–	(410.4)	(582.0)

The non-cash movements in lease liabilities are in relation to the de-recognition and remeasurement of lease liabilities, while the non-cash movement in bank loans are in relation to amortisation of prepaid facility costs.

24 Financial risk management

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 floating rate debt and interest rate swaps when deemed appropriate.

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 Senior Management Risk Committee Report and more specific financial risk management (including sensitivity to increases in interest rates) are included in the Directors' Report.

(a) 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.

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.

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 2 January 2022, the Group has 13 subleases with a rent receivable balance of £2.7m.

As at 2 January 2022, £0.1m of sublease receivables that were written off during the reporting period.

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.

24 Financial risk management continued

Franchisees

The credit risk in relation to franchisee debtors is subject to the Groups policy and procedures relating to credit risk. As at 2 January 2022, the Group has 32 franchisee debtors in relation to Wagamama, with a receivable balance of £1.3 million. The impairment analysis is performed at each reporting date for franchisees also. The ECL relating to franchisees as at 2 January 2022 was £0.6m.

	Stage 1 £m		Stage 2 £m		Stage 3 £m		Total £m	
	Gross carrying amount	Expected credit loss	Gross carrying amount	Expected credit loss	Gross carrying amount	Expected credit loss	Gross carrying amount	Expected credit loss
As at 27 December 2020	1.2	0.8	6.1	2.6	2.8	2.6	**10.1**	**6.0**
Transfers to stage 1	3.9	0.3	(3.9)	(0.3)	–	–	**–**	**–**
Transfers to stage 2	(1.0)	(0.9)	1.0	0.9	–	–	**–**	**–**
Transfers to stage 3	–	–	(1.3)	(1.9)	1.3	1.9	**–**	**–**
Receipts	(1.1)	–	(0.2)	–	–	–	**(1.3)**	**–**
Additions	0.2	–	0.6	–	–	–	**0.8**	**–**
Recoveries	–	(0.4)	–	(0.1)	–	(0.6)	**–**	**(1.1)**
Charge for the year	–	0.7	–	0.5	–	0.1	**–**	**1.3**
Write offs	–	–	–	–	–	–	**–**	**–**
As at 2 January 2022	3.2	0.5	2.3	1.7	4.1	4.0	**9.6**	**6.2**

(b) 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. The Group's Term Loan matures in May 2026 (as set out above) and the Revolving Credit Facility matures in May 2025. The Group facilities along with covenant waivers (as detailed in the Directors Report) ensures continuity of funding.

(c) 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.

In the year, to manage the risk of interest rate changes on borrowings, the Group entered into an interest rate cap. The interest rate cap has an effective date of November 2022 to November 2025, for a value of £100.0m. The strike price of the interest rate cap is 0.75% and a total premium of £1.6m was paid.

As a result, a 1% rise or fall in interest rate will have a £1.5m impact on interest expense (as set out above). Based on EBITDA after exceptionals for 2021, the Group has enough coverage for interest rate risk.

Foreign Currency Movement

During the year, the Group made a £0.1m foreign currency gain (2020: £0.1m gain) on translation of foreign subsidiaries.

25 Related party transactions

There were no related party transactions in the 53 weeks ended 2 January 2022 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 6. Further information concerning the Directors' remuneration is provided in the Directors' remuneration report.

26 Subsequent Events

There are no subsequent events which would have a material impact on the financial statements at the balance sheet date.

Company balance sheet

	Note	At 2 January 2022 £m	At 27 December 2020 (Restated – Note 2) £m
Non-current assets			
Investments in subsidiary undertakings	4	**123.2**	119.8
Loans to subsidiary undertakings	5	**751.7**	497.3
Derivatives measured at fair value through profit & loss	6	**2.1**	–
		877.0	617.1
Current assets			
Cash and cash equivalents		**122.0**	16.9
		122.0	16.9
Total assets		**999.0**	634.0
Current liabilities			
Lease liability		**(0.3)**	(0.5)
Amounts falling due within one year to Group undertakings		**(0.9)**	–
Accruals		**(3.7)**	(1.3)
		(4.9)	(1.8)
Net current assets		**117.1**	15.1
Total assets less current liabilities		**994.1**	632.2
Long-term borrowings	6	**(318.1)**	(148.6)
Lease liability	7	**(1.2)**	(2.5)
Net assets		**674.8**	481.1
Capital and reserves			
Share capital		**215.2**	165.9
Share premium account		**394.1**	276.6
Other reserves		**0.1**	(3.3)
Profit and loss account		**65.4**	41.9
Shareholders' funds		**674.8**	481.1

The Company's profit for the year was £28.4m (2020: restated loss of £51.3m).

The financial statements of The Restaurant Group plc (company registration number SC030343) on pages 107 to 114 were approved by the Board of Directors and authorised for issue on 15 March 2022 and were signed on its behalf by:

Andy Hornby (CEO)

Kirk Davis (CFO)

Statement of changes in equity

	Share capital £m	Share premium £m	Other reserves £m	Profit and loss account £m	Total £m
Balance at 29 December 2019	**138.2**	**249.7**	**(5.3)**	**93.2**	**475.8**
Issue of shares	27.7	26.9	–	–	54.6
Employee share-based payment schemes	–	–	2.0	–	2.0
Total comprehensive loss*	–	–	–	(51.3)	(51.3)
Balance at 27 December 2020*	**165.9**	**276.6**	**(3.3)**	**41.9**	**481.1**
Balance at 27 December 2020	**165.9**	**276.6**	**(3.3)**	**41.9**	**481.1**
Issue of shares	49.3	117.5	–	–	166.8
Employee share-based payment schemes	–	–	3.4	–	3.4
Total comprehensive income	–	–	–	23.5	23.5
Balance at 2 January 2022	**215.2**	**394.1**	**0.1**	**65.4**	**674.8**

* Restated – see Note 2

Other reserves represent the Company'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 pounds sterling and all values are rounded to the nearest hundred thousand except when otherwise indicated.

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.

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.

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 Black-Scholes valuation model is 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 21 in the consolidated financial statements for further details.

Cash and cash equivalents
Cash and cash equivalents comprise bank balances, cash balances on hand and in restaurants, and cash-in-transit for credit card transactions made within 72 working hours, providing there is no risk of cash return. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Offsetting of overdrafts is only permitted (and, in fact, required) when:

- there is a legally enforceable right to set off recognised amounts; and
- an entity intends to settle on a net basis, or to realise the asset and settle the financial liability simultaneously.

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 six months, depending on the immediate cash requirements of the Company, and earn interest at the respective short term deposit rates.

Notes to the Company accounts continued

1 Accounting policies and basis of preparation continued

Leases

i) 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. Right of use assets are assessed for impairment where required by IAS 36.

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.

ii) 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.

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 Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company 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.

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.

Impairment

The Company formally determines whether the carrying amount of right of use assets ('RoUA') are impaired by considering indicators of impairment annually. Impairment for tangible assets is tested on the basis of each individual cash generating unit (CGU) – an individual restaurant or pub site.

For intangible assets including investments, the testing is performed at the level of the relevant group of CGUs that benefit from the intangible asset or investment. An impairment loss is recognised whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. This requires the Company 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 and 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 assets that have an indefinite useful life, the recoverable amount is estimated annually. Impairment losses are recognised in the income statement and are not subsequently reversed.

1 Accounting policies and basis of preparation continued

Onerous property costs

The Company has a number of site related contractual commitments that are onerous and not included in the scope of IFRS 16. Where these exist, typically for closed sites, the Company provides for its estimate of the minimum cost of exiting the contracted commitments, such as rates, services and dilapidations where these are included in the contracts with landlords.

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. The amounts of future expenditures for site closure costs are reviewed on a semi-annual basis and are based on readily available information at the reporting date as well as management's historical experience of similar transactions.

Critical accounting judgements and estimates

i) Impairment of non-current assets

Impairment reviews are conducted in line with the Group process as disclosed in Note 14 of the Group financial statements.

The impairment reviews of investments require several estimates to determine the value-in-use including forecasts as described in Note 1 of the Group financial statements. The key estimates are in relation to the calculation of the future cash flows and discount rate. A reduction in sales of 5% has no impact on the impairment outcome. A 1% increase in the discount rate applied has no impact on the impairment outcome.

ii) Forecast business cash flows

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 cash flow drivers.

2 Restatement of comparatives

During the year, management have identified errors relating to seven sites, the lease liability for which defaulted to the Company under the Chiquito administration or an Authorised Guarantee Agreement, but were not recognised in the Company's accounts as they should have been at 27 December 2020. As a result, the Company has incurred amounts payable to its subsidiaries in order to compensate them for the costs paid on behalf of the Company. The impact of correcting for this error is shown below.

	As originally disclosed £m	Adjustment £m	As restated £m
Consolidated income statement for the 52 weeks ended 27 December 2020			
Loss after tax	(41.8)	(9.5)	(51.3)
Consolidated balance sheet as at 27 December 2020			
Loans to subsidiary undertakings	503.6	(6.3)	497.3
Accruals	(1.1)	(0.2)	(1.3)
Lease liabilities	–	(3.0)	(3.0)
Profit and loss account	51.4	(9.5)	41.9

3 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 5 in the consolidated financial statements).

During the year, the Company made a gain of £0.5m relating to derivatives held at fair value through the profit and loss (refer to Note 23 in the consolidated financial statements).

All costs of employees and Directors are borne by a subsidiary undertaking. At 2 January 2022 the Company employed six persons, being the Directors (27 December 2020: six persons). Refer to the Directors remuneration report for further details of remuneration paid for services.

4 Investment in subsidiary undertakings

	Shares £m	Share Based Payment £m	Total £m
Cost and net book value			
At 27 December 2020	91.8	28.0	**119.8**
Share-based payment schemes	–	3.4	**3.4**
At 2 January 2022	91.8	31.4	**123.2**

The Company's subsidiaries are listed below:

	Country of Incorporation	Status	Proportion of voting rights and shares held at 2 January 2022
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 Limited	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%
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%
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%
Leisure			
TRG (Holdings) Limited	England and Wales	Holding	100%
The Restaurant Group (UK) Limited	England and Wales	Trading	100%
TRG Leisure Limited	England and Wales	Trading	100%
G.R. Limited	England and Wales	Holding	100%
D.P.P. Restaurants Limited	England and Wales	Trading	100%
Concessions			
TRG Concessions Limited	England and Wales	Trading	100%

4 Investment in subsidiary undertakings continued

	Country of Incorporation	Status	Proportion of voting rights and shares held at 2 January 2022
Dormant			
Wagamama Newco Limited	England and Wales	In liquidation	100%
TRGI Limited	Ireland	In liquidation	100%
Caffe Uno Limited	England and Wales	In liquidation	100%
Number One Leicester Square Limited	Scotland	In liquidation	100%
Strikes Restaurants Limited	England and Wales	In liquidation	100%
Black Angus Steak Houses Limited	England and Wales	In liquidation	100%
J.R. Restaurants Limited	England and Wales	In liquidation	100%
Garfunkels Restaurants Limited	England and Wales	In liquidation	100%
Frankie & Benny's (UK) Limited	England and Wales	In liquidation	100%
City Centre Restaurants (UK) Limited	England and Wales	In liquidation	100%
City Hotels Group Limited	England and Wales	In liquidation	100%
Est Est Est Group Limited	England and Wales	In liquidation	100%
Factmulti Limited	England and Wales	In liquidation	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.

5 Loans to subsidiary undertakings

On 5 June 2020, the Company assigned £91.0m of its 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.

On 29 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.

On 17 May 2021 as part of the refinancing of the Group, the Company extended a loan to TRG (Holdings) Limited of £228.5m, which is repayable on demand. Interest is payable at a rate of 8% plus SONIA per annum with interest accruing quarterly on to the balance outstanding. This loan was lent onwards within the Group to eventually allow repayment of the £225.0m Wagamama bond and accrued interest.

On 31 October 2021, the Company assigned £51.7m of its receivable from TRG Concessions Limited in return for a receivable of an equivalent amount from TRG (Holdings) Limited. Interest is payable at a rate of 8% plus SONIA per annum with interest accruing quarterly on to the balance outstanding.

On 2 January 2022, the Company assigned £46.2m of its receivable from Brunning & Price Limited in return for a receivable of an equivalent amount from TRG (Holdings) Limited. Interest is payable at a rate of 8% plus SONIA per annum with interest accruing quarterly on to the balance outstanding.

6 Long term borrowings

Total Company borrowing facilities consist of a £120.0m revolving credit facility maturing in May 2025, and a £330.0m Term Loan maturing in May 2026. The revolving credit facility has £120.0m of committed borrowing facilities in excess of gross borrowings (2020: £60.0m) and is committed until May 2025.

At 2 January 2022, the interest rate on the Term Loan is 6.50% above SONIA. A commitment fee of 1.2% is charged on the undrawn Revolving Credit Facility. A margin ratchet linked to the leverage ratio is in place which results in a forecasted interest rate in 2022 of 6.3% for the Term Loan and a 0.8% commitment fee on the Revolving Credit Facility. The maturity dates on the Group's debt facilities are as follows: May 2026 for the Term Loan; and May 2025 for the Revolving Credit Facility.

In the year, to manage the risk of interest rate changes on borrowings, the Group entered into an interest rate cap. The interest rate cap has an effective date of November 2022 to November 2025, for a value of £100.0m. The strike price of the interest rate cap is 0.8% and a total premium of £1.6m was paid. The interest rate cap is measured at fair value through the profit and loss. At 2 January 2022 the interest rate cap was valued at £2.1m, with a gain on fair value of £0.5m being recognised in the profit and loss.

7 Lease liabilities and right of use assets

Set out below are the movements in the carrying amount of lease liabilities and right of use assets during the period. All leases relate to access to and use of property.

	Right of use asset		Lease liability	
	2021 £m	2020* £m	**2021 £m**	2020* £m
Brought forward	**–**	–	**(3.0)**	–
Additions	**–**	13.6	**–**	(13.6)
Unwinding of discount on lease liabilities	**–**	–	**(0.1)**	(0.3)
Cash payments made	**–**	–	**0.4**	5.5
Extinguished in disposals	**–**	–	**1.2**	8.2
Remeasurements	**–**	2.8	**–**	(2.8)
Depreciation	**–**	(0.1)	**–**	–
Impairment	**–**	(16.3)	**–**	–
Carried forward	**–**	–	**(1.5)**	(3.0)
Analysed as:				
Amount due for settlement within one year			**(0.3)**	(0.5)
Amount due for settlement after one year			**(1.2)**	(2.5)
			(1.5)	(3.0)

* Restated – see Note 2

The total value of expense relating to short term leases in 2021 totalled £Nil (2020: £0.2m).

The Company has authorised guarantee agreements in place where the Company acts as the guarantor. In the event of a tenant default, the lease associated to the default event will be assigned to the Company. The Company has assessed the risk of this as remote.

Group financial record

	2021 £m	2020 Restated £m	2019 £m	2018 Restated £m	2017 Restated £m
Revenue	**636.6**	459.8	1,073.1	686.0	679.3
Adjusted operating profit/(loss)	**37.1**	(49.7)	91.1	55.4	59.5
Underlying interest	**(45.1)**	(37.8)	(16.6)	(2.2)	(1.7)
Adjusted (loss)/profit before tax	**(8.0)**	(87.5)	74.5	53.2	57.8
Non–trading (charges)/credits	**(24.9)**	(45.4)	(111.8)	(39.3)	(29.7)
(Loss)/Profit on ordinary activities before tax	**(32.9)**	(132.9)	(37.3)	13.9	28.1
Tax	**(5.5)**	8.7	(3.1)	(7.0)	(9.8)
(Loss)/Profit for the year	**(38.4)**	(124.2)	(40.4)	6.9	18.3
Basic (loss)/earnings per share	**(5.3p)**	(22.1p)	(8.2p)	2.4p	6.7p
Adjusted (loss)/earnings per share	**(0.5p)**	(13.4p)	11.9p	14.7p	16.7p
Proposed total ordinary dividend per share for the year	**–**	–	2.1p	8.3p	14.4p
Special dividend per share	**–**	–	–	–	–
Dividend cover (excluding non-trading items and special dividends)	**N/A**	N/A	5.7p	1.8p	1.0p
Employment of finance					
Property, plant and equipment	**285.1**	300.3	335.7	430.6	327.3
Other non-current assets	**599.9**	599.5	618.0	620.9	26.4
Net current liabilities	**(34.9)**	(141.7)	(112.0)	(97.6)	(79.6)
Long-term liabilities	**(706.6)**	(822.7)	(439.9)	(495.3)	(94.0)
	143.5	(64.6)	401.8	458.6	180.1
Financed by:					
Equity	**439.7**	307.3	401.9	458.6	180.2
Net debt	**(582.0)**	(824.2)	(286.6)	(291.1)	(23.1)
Gearing	**132.4%**	268.2%	71.3%	63.5%	12.8%

Glossary

Measure	Closest GAAP Measure	Reconciliation	Description
Adjusted diluted EPS	Diluted EPS	Note 10	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	Operating Profit	Income Statement & Note 4 for IAS 17 basis	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	EPS	Note 10	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	Operating Profit	Income Statement & Note 4 for IAS 17 basis	Operating profit prior to the impact of Exceptional items.
Adjusted operating margin	N/A	Income Statement & Note 4 for IAS 17 basis	Calculated as the Operating profit as a percentage of Revenue. For the 'Adjusted' basis this is using the profit and revenue prior to Exceptional items.
Adjusted profit before tax	Profit before tax	Income Statement & Note 4 for IAS 17 basis	Calculated by taking the profit before tax of the business pre-Exceptional items.
Adjusted tax charge	Tax on profit from ordinary activities	Income Statement	Calculated by taking the tax of the business pre-Exceptional items.
Effective adjusted tax rate	N/A	Income Statement	Calculated as the tax expense as a percentage of profit before tax. For the 'Adjusted' basis this is using the tax and profit prior to Exceptional items.
Cash headroom	N/A	Note 23	Calculated as the funds available to the business through either its Cash & cash equivalents balance or through undrawn facilities, less letters of credit.
Capital expenditure	Net cash flow from investing activities	Financial Review	This is calculated as the total of Development capital expenditure and Refurbishment and maintenance expenditure and is the cash outflow associated with the acquisition of Property, plant and equipment, intangibles and investments in the US joint venture.
Development capital expenditure	Net cash flow from investing activities	Financial Review	This is the Capital expenditure relating to profit-generating projects upon which we expect a commercial return in future years.
EBITDA	Operating profit	Income Statement & Note 4 for IAS 17 basis	Earnings before interest, tax, depreciation, amortisation and impairment.

Measure	Closest GAAP Measure	Reconciliation	Description
Exceptional items	N/A	Income Statement and Note 7	Those items that are material, and not related to the underlying trade of the business.
Free cash flow	Net cash flow from operating activities	Note 22	Adjusted EBITDA (IAS17 basis) less working capital and non-cash adjustments (excluding exceptional items), tax payments, interest payments and Refurbishment and maintenance expenditure.
Like-for-like sales	N/A	N/A	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 (traded for at least 65 weeks) sites in the current period versus the comparable period in 2019, as this is the last available unrestricted year of trading. Sites that are closed, disposed or disrupted during a financial year are excluded from the like-for-like sales calculation.
Leverage	N/A	N/A	Net Debt/EBIDTA ratio (pre-IFRS 16 and exceptional charges).
Minimum liquidity	N/A	N/A	The minimum liquidity is a financial covenant required under the terms of our loans to have a minimum of both available undrawn facilities plus Cash and cash equivalents of at least £40.0 million.
Net debt	Long-term borrowings	Note 23	Net debt is calculated as the net of all borrowings less cash and cash equivalents, plus the IFRS 16 Lease liabilities.
Outlet EBITDA	N/A	N/A	Pre-IFRS 16 and Exceptional EBITDA directly attributable to individual sites and therefore excluding corporate and central costs.
Pre-lease liability net debt	Long-term borrowings	Note 23	As above Net Debt but excluding the IFRS 16 Lease liabilities.
Refurbishment and maintenance expenditure	Net cash flow from investing activities	Financial Review	This is the Capital expenditure relating to projects to maintain and refurbish our estate. No incremental financial return is expected on this expenditure.
Return on Invested Capital (ROIC)	N/A	N/A	Outlet EBITDA (pre-IFRS 16 and exceptional charges)/initial capital invested.
Trading business	N/A	N/A	Represents the performance of the business before exceptional items.
TSR	N/A	N/A	Total Shareholder Return over a period. Total shareholder return (TSR) is calculated as the overall appreciation in the share price, plus any dividends paid, during a period of time; this is then divided by the initial purchase price of the stock to arrive at the TSR.

Shareholder information

Directors
Ken Hanna
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

Company Secretary
Jean-Paul Rabin

Head office (and address for all correspondence)
5-7 Marshalsea Road
London SE1 1EP

Telephone number
020 3117 5001

Company number
SC030343

Registered office
1 George Square
Glasgow G2 1AL

Registrar
Equiniti Limited
Aspect house
Spencer Road
Lancing
West Sussex BN99 6DA

Auditor
Ernst & Young LLP
1 More London Place
London SE1 2AF

Solicitors
Slaughter and May
One Bunhill Row
London EC1Y 8YY

Brokers
Investec Bank plc
30 Gresham Street
London EC2V 7QP

Citigroup Global Markets Limited
33 Canada Square
Canary Wharf
London E14 5LB

Annual General Meeting
Tuesday 24 May 2022

FSC
www.fsc.org
RECYCLED
Paper made from recycled material
FSC® C022913

The paper used in this report is 100% recycled and FSC® certified.

Printed in the UK using vegetable based inks which have lower VOC emissions (Volatile Organic Compounds), are derived from renewable sources and less hazardous than oil-based inks.

The printer is ISO 14001 accredited and Forest Stewardship Council® (FSC®) chain of custody certified. Under the framework of ISO 14001 a structured approach is taken by the company to measure, improve and audit their environmental status on an ongoing basis. FSC® ensures there is an audited chain of custody from the tree in the well-managed forest through to the finished document in the printing factory.

Designed and produced by Instinctif Partners www.creative.instinctif.com

The Restaurant Group plc
5–7 Marshalsea Road
London SE1 1EP
Tel: 020 3117 5001
www.trgplc.com