Interim Report

2019

Interim results for the 26 weeks ended 30 June 2019

The
Restaurant
Group plc

The Restaurant Group plc operates over 650 restaurants and pub restaurants.

Our brands

wagamama

Frankie & Benny's

Brunning & Price Limited

trg concessions

Chiquito Restaurant Bar & Mexican Grill

Garfunkel's Restaurant

Coast to Coast American Restaurant & Bar

Firejacks Meat | Fire | Friends

Joe's Kitchen Feel Good Food • Day & Night

Filling Station American Restaurant & Bar

Strategic and financial highlights

Strategic highlights

- Wagamama plans on track and progressing well
  - Market leading like-for-like[1] sales performance continues
  - Addressing strong pipeline of growth opportunities
  - Site conversion and cost synergy programme on track
- Concessions leveraging market opportunities
  - Like-for-like sales consistently ahead of passenger growth
  - Further development of brand portfolio with partnerships
  - Advanced discussions on adjacent market opportunities
- Pubs continue to drive growth
  - Strong like-for-like sales outperformance vs market continues
  - Customer ratings remain consistently high
  - Healthy pipeline of new site opportunities
- Optimising Leisure[2] business
  - On-going initiatives to improve food offering, service standards and brand proposition
  - Progress in brand perception and employee engagement
  - Estate management discipline continues

Financial highlights

- Like-for-like sales up 4.0%, with total sales up 58.2% to £515.9m (2018: £326.1m)
- Adjusted[1] profit before tax of £28.1m (2018[2]: £20.7m)
- Exceptional pre-tax charge of £115.7m (2018[2]: £8.4m) predominantly relating to a £100.2m impairment charge and a £10.7m onerous lease provision in our Leisure business
- Statutory loss before tax of £87.7m (2018 Statutory profit[3]: £12.2m)
- Adjusted EBITDA of £61.4m (2018[3]: £38.4m)
- Adjusted EPS[4] of 4.5p (2018[3]: 5.9p). Statutory loss per share of 16.1p (2018 earnings per share[3]: 3.3p)
- Operating cash flow of £52.3m (2018: £25.6m)
- Net bank debt of £316.8m (2018: £24.2m) with pro-forma net debt/EBITDA at 2.3x
- Interim dividend of 2.1p per share, in line with policy

Current trading and outlook

- Group like-for-like sales up 3.7% for the first 34 weeks of the financial year benefitting from soft comparatives in the prior year
- Like-for-like sales in the most recent six weeks were up 0.2%, driven by the strong performance of our three growth businesses which have continued to outperform their respective markets, largely offset by our Leisure business reverting back to a trend of modest like-for-like sales decline
- Trading remains broadly in line with our full year expectations

1 The Group's adjusted performance metrics such as like-for-like sales and free cash flow are defined within the glossary at the end of this report
2 Leisure business refers primarily to our Frankie & Benny's and Chiquito brands
3 As restated, refer to note 1 of the condensed financial statements for details
4 Earnings per share adjusted for bonus element following the rights issue in both financial years

Chairman’s and Chief Executive Officer’s statement

We have traded well throughout the first half of the year, delivering 4% like-for-like sales growth, driven by the market outperformance of Wagamama and our Concessions and Pubs businesses. Our Leisure business delivered a marginal decline in like-for-like sales despite benefitting from the weaker comparatives following last year’s extreme weather and football World Cup. We continue to focus on improving our brand offerings and delivering the best possible experience to our customers whilst optimising our Leisure business to enhance the overall Group performance.

We are mindful of the headwinds in the casual dining sector and the meaningful uncertainties created by the potential of a ‘no-deal Brexit’ and are planning with this in mind. However our business is now better diversified and purposefully positioned to benefit from multiple opportunities for growth.

I am pleased to welcome Andy Hornby as our new CEO, who is bringing a strong consumer, brand and people focus to the business.

Debbie Hewitt MBE
Non-executive Chairman

I am delighted to have joined The Restaurant Group in August. Our three growth businesses of Wagamama, Concessions and Pubs are all out-performing the market and have potential for further growth. At the same time, we have an acute focus on optimising our Leisure business, through targeted operational initiatives and disciplined estate management.

Despite the well documented challenges facing the casual dining sector, the Group’s diversified set of brands provides firm foundations.

Andy Hornby
Chief Executive Officer

Business review

The Group is aligned to structural growth trends with Wagamama, Pubs and Concessions contributing in excess of 70% of Group outlet EBITDA in the period.

Wagamama, the UK leader in pan-Asian cuisine, continues to deliver a market leading performance and we are on track to deliver our plans for the business as set out below.

Concessions benefits from continued passenger growth, albeit at a slower rate than in previous years and we are exploiting opportunities for new space as airports further invest in terminals, capacity and food and beverage offerings. Furthermore, given our strength in developing and operating a broad range of formats, we see potential over the medium term for growth in adjacent markets outside of travel hubs in the UK and in international airports.

Our Pubs benefit from being in strong locations with attractive market dynamics, coupled with a market leading proposition and operational capability. We have a healthy organic pipeline of sites and have a number of initiatives to continue to drive clear sector outperformance.

We continue to make progress in our Leisure business, undertaking various initiatives to improve food offering, service standards and brand proposition. However, we remain exposed to the well documented retail structural decline and a challenging cost environment, whilst competing in saturated local markets. We have therefore taken a more cautious view on the medium-term outlook within our Leisure business which has been reflected in the impairment charge being recognised at the half-year.

In the first half of 2019, we have made good progress on the three key elements of the strategy that we set out at our preliminary results in March 2019 which were:

- Deliver the benefits of the Wagamama acquisition;
- Grow our Concessions and Pubs businesses; and
- Optimise our Leisure business.

1. Deliver the benefits of the Wagamama acquisition

Wagamama delivered another strong performance in the first half of 2019 with the core UK business benefitting from both strong in restaurant and delivery growth. UK like-for-like sales growth remained significantly ahead of the wider market, with like-for-like sales up 10.6% in the first six months of the year (to 30th June 2019). Adjusted EBITDA (on a rolling 12 months basis) grew to £51.4m in the period to 30th June 2019 from £42.3m (for the last reported financial year ending 29th April 2018).

Wagamama retained its market leading position with the highest net promoter score among casual dining brands in the UK, and we have benefitted from excellent staff retention at our restaurants, with employee turnover reaching its all-time best position for both front and back of house teams.

Among other initiatives implemented in the first half of the year, we launched a new menu in May, continuing our commitment to provide constant innovation aligned with our customers' evolving preferences. The new menu extends the range of vegan options, including 'Avant Gard'n', our bestselling vegan dish. We also launched our new lighter 'Kokoro' bowls (sub-650 calorie range) giving our guests additional healthy eating choices, as well as launching an improved drinks and desserts range.

Over the period, a strong partnership with Deliveroo and the implementation of operational and technological improvements in our delivery proposition contributed to delivery sales rising to c.12% of total sales from c.9% in the same period last year.

We completed five transformational restaurant refurbishments in the period, adding 200 covers with an expected return on invested capital of at least 45%.

Business review continued

As set out below, we are progressing well on the multiple growth avenues that the Wagamama acquisition has unlocked.

UK New sites & Concessions
Our selective approach to high quality openings continues and we expect to open three sites this year including "The Bower" in Old Street, London, and a site in Heathrow Terminal 3. We currently expect to open four to five sites in 2020 including a site in the planned terminal redevelopment at Manchester airport.

Delivery Kitchens
We continue to explore how best to serve our customers where we don't have a Wagamama restaurant and launched our first Wagamama-only Delivery Kitchen in Hackney in July. We plan to open at least another two delivery kitchens by the end of the year.

Food-to-go formats
We are on track to launch our first food-to-go concept, "Mamago", in Q4 2019 in Fenchurch Street, London. The proposition has been inspired by the Wagamama core business, with a menu of made-to-order pan-Asian cuisine ranging from grab-and-go adaptations on Wagamama classics like Katsu to new and innovative, nutritionally-balanced and flavour-packed dishes built for breakfast and lunch.

International
Our US business has delivered improved trading momentum benefitting from improved team stability and operational execution. We are progressing with our review of strategic options for the business and will provide a further update in due course.

Synergies
We are on track to deliver at least £15m of cost synergies in 2021, having made good progress in the first half of the year. In line with the acquisition plan, we prioritised the renegotiation of supply contracts for food, drinks and consumables, and have obtained significant savings through rate equalisation and economies of scale.

We have also obtained additional savings through shared expertise across the group in areas such as energy efficiency and maintenance, as well as through eliminating the duplication of certain professional services.

We anticipate that 60% of the cost synergy programme will benefit the cost base of Wagamama and 40% in to the Legacy-TRG[5] business.

On the site conversion programme we are on track to deliver an incremental EBITDA benefit of £7m per annum at maturity in 2021 from the conversion of 15 sites. Our Leisure sites in Stevenage and Bletchley converted to Wagamama in late August and another six sites will convert between September and November, with an expected return on invested capital of circa 50%. We are planning to convert at least seven more sites in 2020.

2. Grow our Concessions and Pubs businesses

Concessions
Our Concessions business primarily operates in 16 UK airports and four UK rail stations. At its core we manage long-term partnerships and operate multiple formats and brands to deliver food and beverage solutions to our partners.

Our sales continue to trade ahead of passenger growth and we continued our strong track record of retaining sites with at least 85% of sites having received contract renewals beyond the term of the initial contract. On average our contracts have been extended for 90% of the original concession term.

5 Excludes Wagamama.

In the first half of 2019, we developed further trials and rollout of technologies to improve customer convenience, particularly through waiting time screens (a display that informs the average service and kitchen time to receive an order), pay-at-table and order and pay functionalities.

We expect to open at least five new sites in 2019, two of which have already opened, including our Sonoma site at Gatwick airport which is our largest Concessions restaurant at circa 7,000 square feet, and can accommodate over 300 covers at a time.

We have also secured six sites in the planned Manchester airport terminal redevelopment which are due to open in 2020. The terminal is expected to reach maturity in 2022, with the gradual shift of passengers out of the existing terminal having a short-term impact on profitability through 2020 and 2021.

We are also exploring opportunities in adjacent markets outside of travel hubs in the UK and in international airports.

Pubs

We currently have an estate of 83 Pubs, which are predominantly located in countryside and suburban locations, with a premium proposition focused on the local customer base. In the first half of 2019, like-for-like sales continued to outperform the overall pub restaurant sector.

In the first half of 2019, we continued to evolve our menus in line with customer preferences. For example, we refined and extended our vegan range, with the introduction of items such as mushroom pie and beetroot burger, now our top selling vegan dishes. On our drinks range, we have introduced a larger selection of low/no alcohol beers, reflecting increasing customer demand, and extended the opportunity for pub managers to source and stock local beers and craft lager, in addition to the already well-established cask range, which have been well received by customers.

We have, in certain locations, developed existing space to cater for private functions, including weddings. For instance, at the Mill House in Hook we have refurbished the adjacent barn, which is now available to host private events, meetings and small family parties.

We also continue to explore opportunities to expand our accommodation offering, currently available at the Arrow Mill in Alcester and The Highdown in Goring-by-the-Sea.

We made further progress in the rollout of technology initiatives to improve our customer experience and commercial performance. We started trialling an in-app ordering function that allows customers in our busy gardens to order from their table. We also launched an improved version of our reservation software, which allows for improved customer flexibility.

We have maintained our social media score reviews at 4.4/5, confirming our commitment to delivering a high standard of customer service.

We expect to open four new sites this year, three of which have already opened. We will continue our selective approach to site expansion, with a disciplined approach to site criteria and strict financial hurdles, whilst our geographical reach is gradually expanding across the UK.

3. Optimise our Leisure business

Our Leisure business has benefitted from our initiatives to improve food offering, service standards and brand proposition, as set out below. Nevertheless, the backdrop remains challenging and we continue to take a disciplined approach to our estate.

Business review continued

In the first eight months of 2019, we have closed 16 sites (10 Frankie & Benny's, four Chiquito, one Coast to Coast and one Garfunkel), reducing the overall leisure estate to 352 sites. Among those closed, we executed the following actions:

- Eight sites converted or are in the process of converting to Wagamama
- Three sites closed and were exited, by exercising the break clauses or lease expiry
- Five sites closed as they were no longer generating acceptable cash returns

We are making progress in negotiations with landlords when there are lease events, having obtained rent reductions in the most recent negotiations as well as greater flexibility in lease terms.

The remaining estate has a median of six years to the first potential exit date (i.e. lease expiry or the date at which we can exercise a break clause). We expect to exit at least 50% of Leisure sites reaching their next exit date, and will continue to explore market opportunities to exit these sites earlier where possible.

Frankie & Benny's

Our focus over the half year has been on enhancing the brand's food proposition, improving customer engagement and affinity, and continuing to leverage the existing estate.

In May we launched our new menu, where we reduced the overall size of the menu by circa 10%, simplifying our offer for customers and streamlining operations for our restaurant teams. The reduced menu includes 26 new dishes that refocused on our Italian American heritage and the removal of a number of less popular dishes. Feedback on our new menu has been positive, with dishes such as the Meatballs Al Forno and Toblerone Cheesecake being particularly popular with customers.

Our increased focus on customer engagement has been driven through the better use of social media, and proactive marketing to create a 'buzz' around the brand. A key campaign in the period was "Bring It Back" where we surveyed our customer base using social media to find out what they would like to see return to the menu which led to previous dishes such as Spaghetti Chicken Alfredo and Vegan Nuggets returning to the Summer Specials menu. We also created significant engagement around the news of Prince Archie's birth, where we offered everyone named Archie a free meal in our restaurants. The social campaign had organic reach of over 2 million, with 30,000 customers engaging with the content.

We continue to look for opportunities to leverage our estate and have increased the penetration of delivery sales in our core menu and virtual brands. We are now active across 193 sites in partnership with multiple aggregators and operate two virtual brands from most sites. The two virtual brands are "Stacks", providing our customers with "fully loaded burgers" and "Birdbox" our fried chicken brand with a southern American twist.

As a result of our initiatives we continue to see a consistent improvement in customer ratings on social media.

Chiquito

In the first half of 2019, the key objectives have been to further refine the brand identity and proposition, re-focusing on our core values of fun, choice and value.

We launched a new menu in April which had better choice and a range of options focused on health and premiumisation. We have created a new menu category, "Greens and Grains", which includes new dishes such as "Burrito with Benefits" and "Chopped and Topped Salad". We also launched vegan and breakfast specific menus, providing our customers with greater choice.

We have also increased our presence on social media, with a more proactive engagement with our customers. For instance, a video involving Sam Thompson and Pete Wicks from the reality programmes 'Made in Chelsea' and 'The Only Way is Essex' featured in one of our restaurants and raised our brand's share of voice on social media to a new high.

We continue to look for opportunities to leverage our estate and have increased the penetration of delivery sales in our core menu and virtual brands. We are now active across 73 restaurants in partnership with multiple aggregators and operate two virtual brands from most sites. The two virtual brands are "Kick-Ass Burrito" and "Cornstar Tacos". Kick-Ass Burrito is a great value, virtual-only burrito brand. Cornstar Taco offers fresh, full flavour and fully loaded crispy tacos and nacho boxes.

As with Frankie & Benny's, we continue to see an improvement in our customer ratings on social media particularly in areas related to service and value.

Summary

- Enlarged group strongly orientated towards growth
- Wagamama acquisition plan on track
- Like-for-like sales growth ahead of passenger growth in Concessions with multiple opportunities ahead
- Pubs continue to outperform the market with opportunities for further growth
- Continuing challenges in Leisure business, addressed through targeted initiatives and disciplined estate management

Current trading and outlook

- Group like-for-like sales up 3.7% for the first 34 weeks of the financial year benefitting from soft comparatives in the prior year
- Like-for-like sales in the most recent six weeks were up 0.2%, driven by the strong performance of our three growth businesses which have continued to outperform their respective markets, largely offset by our Leisure business reverting back to a trend of modest like-for-like sales decline
- In summary, trading remains broadly in line with our full year expectations

Financial review

Like-for-like sales improved by 4.0% in the first half of the year with total turnover up 58.2% to £515.9m (2018: £326.1m). Like-for-like sales and total sales increases reflect the benefit of the Wagamama acquisition being consolidated into the TRG business. In the period we saw strong performances from Wagamama which has continued to significantly outperform its core UK market, from our Concessions business which has traded ahead of air-passenger growth and from our Pubs business, which has consistently traded ahead of the pub restaurant sector. Our Leisure business delivered a marginal decline in like-for-like sales in the period, despite benefitting from the weaker comparatives due to the extreme weather and the football World Cup last year.

Adjusted operating profit increased by 70.8% to £36.5m (2018: £21.3m) with the adjusted operating margin rising from 6.5% to 7.1%, reflecting the like-for-like sales growth in the period coupled with the benefit from the Wagamama acquisition. On a statutory basis, the Group's operating loss was £79.3m (2018[2]: operating profit: £12.9m), reflecting an exceptional pre-tax charge of £115.7m related predominantly to the impairment and onerous lease provisions in our Leisure business.

Adjusted profit before tax for the period was £28.1m (2018: £20.7m), with adjusted profit after tax of £22.1m (2018: £16.2m). Adjusted earnings per share were 4.5p (2018: 5.9p). On a statutory basis, our loss before tax was £87.7m (2018[2]: profit before tax: £12.2m) and statutory loss per share was 16.1p (2018[2] statutory earnings per share: 3.3p).

The Group has continued to experience external cost pressures throughout 2019, including inflation in wages, purchases, property and utility costs. We now expect gross cost headwinds in the region of £27m for the full-year, of which we expect to mitigate circa 40% (excluding the benefits arising from the Wagamama cost synergy programme).

The Group remains cash generative with free cash flow of £27.0m in the period (2018: £14.2m); the increase in free cash flow reflecting the cash generated from the Wagamama operations, partially offset by the increased cost of financing. The Group continues to invest in future growth opportunities and has spent £20.3m on development capital expenditure (2018: £11.3m).

Net Debt increased by £25.7m to £316.8m. The increase in Net Debt was predominantly driven by the one-off acquisition and integration cost relating to Wagamama of £20.7m.

Restructuring and exceptional charge

An exceptional pre-tax charge of £115.7m has been recorded in the period (2018: £8.4m), which includes the following:

- A net impairment charge of £100.2m (2018: £6.2m) has been recognised in the period. Of the £100.2m charge, £97.9m related to restaurants trading within in our Leisure business and £2.3m relates to two Wagamama restaurants in the US. The impairment charge comprised of two main elements:
  - (i) In the Leisure business we have recognised an impairment charge across sites that were identified as structurally unattractive; and
  - (ii) In addition, given the well documented over capacity and continued like-for-like sales decline in the casual dining market, and ongoing cost headwinds we have taken a more cautious medium term outlook when assessing the Leisure business for impairment

1 Adjusted measures are stated before exceptional items and are as defined within the glossary

2 As restated, refer to Note 1 of the condensed financial statements

- A write off of £1.9m (2018: £nil) was made to the carrying value of the property, plant and equipment for sites which will be converted to Wagamama

- Onerous lease provisions resulted in a charge of £10.7m in the period (2018: £2.3m). This comprised a £0.4m credit in respect of unutilised provisions following the successful exit of four sites ahead of expectations and a further charge of £11.1m was provided for in the period. £5.7m was in respect of new sites where there is an element of the lease that is now onerous and £5.4m in respect of sites previously provided for

- An exceptional charge of £3.0m (2018: nil) was made relating to the acquisition and integration costs of Wagamama

The tax credit relating to these exceptional charges was £14.8m (2018: £1.3m).

Cash expenditure associated with the above exceptional charges was £27.5m in the period (2018: £5.7m). The cash cost related to onerous leases of £6.7m (2018: £5.7m) and the cost of the acquisition and refinancing of £20.7m (2018: £nil).

Interim dividend

The Board proposes an interim dividend of 2.1p, reflecting the Board's policy of paying a dividend covered two times by adjusted profit after tax. The interim dividend will be paid on 10 October 2019 to shareholders on the register on 13 September 2019 and shares will be marked ex-dividend on 12 September 2019.

FY19 Guidance

We expect to spend £50m to £55m on development expenditure in 2019; comprising:

- Four new Pubs
- At least five new Concessions, including the initial expenditure relating to Manchester terminal redevelopment
- Five new Wagamama sites (two UK, one Airport, two US)
- Eight Leisure site conversions to Wagamama
- Roll-out of delivery kitchens and pilot of Wagamama Grab & Go concept, "Mamago"

Refurbishment and maintenance capital expenditure will range between £30m to £35m. This will include five transformational refurbishments of Wagamama UK sites, as well as two Pubs and one Concessions refurbishment projects.

- Depreciation expected to be between £47m to £49m
- Debt interest expected to be between £15m to £16m
- Provision interest expected to be circa £1m

Financial review continued

Notes

1 The estate at 30 June 2019 comprised of 356 Leisure sites (240 Frankie & Benny's, 80 Chiquito, 13 Coast-to-Coast, eight Garfunkel's, six Filling Station, five Firejacks and four Joe's Kitchen), 135 Wagamama sites, 70 Concessions and 82 Pub restaurants (all based in the UK). In addition the Wagamama business has five restaurants in the US and 57 franchise restaurants operating across a number of territories.

2 There are a number of potential risks and uncertainties which could have an impact on the Group's performance over the remaining six months of the financial year and which could cause actual results to differ materially from expected and historical results. These have not materially changed from those set out on page 57 of our latest Annual Report and Accounts which can be found on the Group website: https://www.trgplc.com/investors/reports-presentations/

3 Statements contained in this interim report are based on the knowledge and information available to the Company's Directors at the date it was prepared and therefore the facts stated and views expressed may change after that date. By their nature, the statements concerning the risks and uncertainties facing the Company in this interim report involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. To the extent that this interim report contains any statement dealing with any time after the date of its preparation such statement is merely predictive and speculative as it relates to events and circumstances which are yet to occur. The Company undertakes no obligation to update these forward-looking statements.

4 The Group's adjusted performance metrics such as like-for-like sales and free cash flow are defined within the glossary at the end of this report.

Summary adjusted trading income statement:

	26 weeks ended 30 June 2019 £m	26 weeks ended 1 July 2018 £m	% change
Revenue	**515.9**	326.1	58.2%
Adjusted[1] EBITDA	**61.4**	38.4	60.1%
Adjusted[1] operating profit	**36.5**	21.3	70.8%
Adjusted[1] operating margin	**7.1%**	6.5%	
Adjusted[1] profit before tax	**28.1**	20.7	35.6%
Adjusted[1] tax	**(5.9)**	(4.5)	
Adjusted[1] profit after tax	**22.1**	16.2	36.9%
Adjusted[1] EPS (pence)	**4.5p**	5.9p	(23.4%)

1 Adjusted measures are stated before exceptional items and are as defined within the glossary.

Summary cash flow statement

	26 weeks ended 30 June 2019 £m	26 weeks ended 1 July 2018 £m
Adjusted[1] operating profit	**36.5**	21.3
Working capital	**(8.8)**	(13.0)
Non-cash adjustments	**(0.4)**	0.2
Depreciation	**25.0**	17.0
Net cash flow from operations	**52.3**	25.6
Net interest paid	(7.3)	(0.4)
Tax paid	(4.0)	(2.1)
Refurbishment and maintenance capital expenditure	(14.0)	(8.9)
Free cash flow	**27.0**	14.2
Development capital expenditure	(20.3)	(11.3)
Movement in capital creditor	(4.0)	1.7
Utilisation of onerous lease provisions	(6.7)	(5.7)
Post-acquisition costs	(20.7)	–
Other items	(1.0)	(0.0)
Cash outflow	**(25.7)**	(1.1)
Group net bank debt at start of period	**(291.1)**	(23.1)
Group net bank debt at end of period	**(316.8)**	(24.2)

1 Adjusted measures are stated before exceptional items and are as defined within the glossary.

Consolidated income statement

	Note	26 weeks ended 30 June 2019		
		Trading business (unaudited) £'000	Exceptional items (Note 4) (unaudited) £'000	Total (unaudited) £'000
Revenue	2	515,893	–	515,893
Cost of sales	3	(452,537)	(112,760)	(565,297)
Gross profit/(loss)		63,356	(112,760)	(49,404)
Administration costs		(26,900)	(2,964)	(29,864)
Operating profit/(loss)		36,456	(115,724)	(79,268)
Interest payable		(8,460)	–	(8,460)
Interest receivable		58	–	58
Profit/(loss) on ordinary activities before tax		28,054	(115,724)	(87,670)
Tax on profit/(loss) from ordinary activities	5	(5,909)	14,800	8,891
Profit/(loss) for the period		22,145	(100,924)	(78,779)
Other comprehensive income:				
Foreign exchange differences arising on consolidation		125	–	125
Total comprehensive income/(loss) for the period		22,270	(100,924)	(78,654)
Earnings per share (pence)				
Basic	6	4.51		(16.05)
Diluted	6	4.50		(16.05)

The table below is provided to give additional information to shareholders on a key performance indicator:

EBITDA	61,447	(15,573)	45,874
Depreciation, amortisation and impairment	(24,991)	(100,151)	(125,142)
Operating profit/(loss)	36,456	(115,724)	(79,268)

	Note	Trading business (unaudited) £'000	Exceptional items (Note 4) (unaudited) £'000	Total (unaudited) £'000
		26 weeks ended 1 July 2018 Restated (Note 1)		
Revenue	2	326,078	–	326,078
Cost of sales	3	(292,139)	(8,444)	(300,583)
Gross profit/(loss)		33,939	(8,444)	25,495
Administration costs		(12,594)	–	(12,594)
Operating profit/(loss)		21,345	(8,444)	12,901
Interest payable		(656)	–	(656)
Interest receivable		1	–	1
Profit/(loss) on ordinary activities before tax		20,690	(8,444)	12,246
Tax on profit/(loss) from ordinary activities		(4,517)	1,274	(3,243)
Profit/(loss) for the period		16,173	(7,170)	9,003
Other comprehensive income:				
Foreign exchange differences arising on consolidation		–	–	–
Total comprehensive income for the period		16,173	(7,170)	9,003
Earnings per share (pence)				
Rights adjusted basic	6	5.89		3.28
Rights adjusted diluted	6	5.87		3.27

The table below is provided to give additional information to shareholders on a key performance indicator:

EBITDA	38,379	(2,266)	36,113
Depreciation, amortisation and impairment	(17,034)	(6,178)	(23,212)
Operating profit/(loss)	21,345	(8,444)	12,901

Consolidated income statement continued

	Note	52 weeks ended 30 December 2018 Trading business (audited) £'000	Exceptional items (Note 4) (audited) £'000	Total (audited) £'000
Revenue	2	686,047	–	686,047
Cost of sales	3	(603,332)	(23,997)	(627,329)
Gross profit/(loss)		82,715	(23,997)	58,718
Administration costs		(27,313)	(14,775)	(42,088)
Operating profit/(loss)		55,402	(38,772)	16,630
Interest payable		(2,233)	(467)	(2,700)
Interest receivable		1	–	1
Profit/(loss) on ordinary activities before tax		53,170	(39,239)	13,931
Tax on profit/(loss) from ordinary activities		(11,361)	4,312	(7,049)
Profit/(loss) for the year		41,809	(34,927)	6,882
Other comprehensive income:				
Foreign exchange differences arising on consolidation		–	–	–
Total comprehensive income for the period		41,809	(34,927)	6,882
Earnings per share (pence)				
Rights adjusted basic	6	14.67		2.42
Rights adjusted diluted	6	14.63		2.41

The table below is provided to give additional information to shareholders on a key performance indicator:

EBITDA	87,855	(24,802)	63,053
Depreciation, amortisation and impairment	(32,453)	(13,970)	(46,423)
Operating profit/(loss)	55,402	(38,772)	16,630

Consolidated balance sheet

	Note	At 30 June 2019 (unaudited) £'000	At 1 July 2018 Restated (Note 1) (unaudited) £'000	At 30 December 2018 (audited) £'000
Non-current assets				
Intangible assets		**617,172**	26,998	617,352
Property, plant and equipment		**334,439**	324,395	430,631
Fair value lease assets		**1,285**	–	1,361
		952,896	351,393	1,049,344
Current assets				
Inventory		**8,491**	5,955	8,678
Other receivables		**20,651**	17,257	22,912
Prepayments		**24,798**	19,833	31,096
Cash and cash equivalents		**31,910**	6,575	65,903
		85,850	49,620	128,589
Total assets		**1,038,746**	401,013	1,177,933
Current liabilities				
Trade and other payables		**(177,300)**	(131,085)	(211,977)
Corporation tax liabilities		**(2,129)**	(4,342)	(2,702)
Provisions		**(9,574)**	(8,189)	(9,377)
		(189,003)	(143,616)	(224,056)
Net current liabilities		**(103,153)**	(93,996)	(95,467)
Long-term borrowings		**(346,111)**	(29,384)	(354,420)
Other payables		**(26,561)**	(24,188)	(27,521)
Fair value lease liabilities		**(10,015)**	–	(10,426)
Deferred tax liabilities		**(40,286)**	(3,589)	(52,674)
Provisions		**(54,308)**	(32,074)	(50,244)
		(477,281)	(89,235)	(495,285)
Total liabilities		**(666,284)**	(232,851)	(719,341)
Net assets		**372,462**	168,162	458,592
Equity				
Share capital	11	**138,234**	56,551	138,234
Share premium		**249,686**	25,554	249,686
Other reserves		**(7,418)**	(7,520)	(7,158)
Retained earnings		**(8,040)**	93,577	77,830
Total equity		**372,462**	168,162	458,592

Consolidated statement of changes in equity

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
26 weeks to 1 July 2018 Restated (unaudited)					
At 1 January 2018	56,551	25,554	(7,753)	105,814	180,166
Total comprehensive income for the period	–	–	–	9,003	9,003
Dividends	–	–	–	(21,240)	(21,240)
Accrued share-based payments	–	–	190	–	190
Deferred tax on share-based payments	–	–	43	–	43
At 1 July 2018	56,551	25,554	(7,520)	93,577	168,162
Year to 30 December 2018 (audited)					
At 1 January 2018	56,551	25,554	(7,753)	105,814	180,166
Total comprehensive income for the year	–	–	–	6,882	6,882
Rights issue of new shares	81,683	224,132	–	–	305,815
Dividends	–	–	–	(34,866)	(34,866)
Accrued share-based payments	–	–	761	–	761
Deferred tax on share-based payments	–	–	(42)	–	(42)
Purchase of treasury shares	–	–	(124)	–	(124)
At 30 December 2018	**138,234**	**249,686**	**(7,158)**	**77,830**	**458,592**
26 weeks to 30 June 2019 (unaudited)					
At 1 January 2019	**138,234**	**249,686**	**(7,158)**	**77,830**	**458,592**
Total comprehensive loss for the period				**(78,654)**	**(78,654)**
Dividends				**(7,216)**	**(7,216)**
Accrued share-based payments			**(256)**		**(256)**
Deferred tax on share-based payments			**(4)**		**(4)**
At 30 June 2019	**138,234**	**249,686**	**(7,418)**	**(8,040)**	**372,462**

Consolidated cash flow statement

	Note	26 weeks ended 30 June 2019 (unaudited) £'000	26 weeks ended 1 July 2018 Restated (Note 1) (unaudited) £'000	52 weeks ended 30 December 2018 (audited) £'000
Operating activities				
Cash generated from operations	8	**52,253**	25,588	88,307
Interest received		**58**	10	10
Interest paid		**(7,393)**	(376)	(1,013)
Tax paid		**(4,046)**	(2,113)	(7,364)
Payment against provisions		**(6,734)**	(5,650)	(11,183)
Payment of acquisition and refinancing costs		**(20,719)**	–	(10,103)
Net cash flows from operating activities		**13,419**	17,459	58,654
Investing activities				
Purchase of property, plant and equipment		**(38,332)**	(17,602)	(47,514)
Purchase of intangible assets		**–**	–	(1,532)
Proceeds from disposal of property, plant and equipment		**–**	–	370
Purchase of subsidiaries		**–**	(925)	(364,197)
Cash acquired on acquisition of subsidiaries		**–**	114	39,270
Net cash flows from investing activities		**(38,332)**	(18,413)	(373,603)
Financing activities				
Net proceeds from issue of ordinary share capital		**–**	–	305,815
Repayments of borrowings		**(9,000)**	(2,000)	(170,000)
Drawdown of borrowings		**–**	–	272,000
Upfront loan facility fee paid		**–**	–	(1,500)
Dividends paid to shareholders		**–**	–	(34,866)
Decrease in obligations under finance leases		**(82)**	(82)	(208)
Net cash flows used in financing activities		**(9,082)**	(2,082)	371,241
Net (decrease)/increase in cash and cash equivalents		**(33,995)**	(3,036)	56,292
Cash and cash equivalents at the beginning of the year		**65,903**	9,611	9,611
Foreign exchange movement in cash		**2**		
Cash and cash equivalents at the end of the period		**31,910**	6,575	65,903

Responsibility statement

We confirm that to the best of our knowledge:

a) the condensed set of financial statements has been prepared in accordance with international Accounting Standard (IAS) 34 'Interim Financial Reporting';

b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first 26 weeks and description of principal risks and uncertainties for the remaining 26 weeks of the year); and

c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board,

Andy Hornby
Chief Executive Officer

Monday, 2 September 2019

Kirk Davis
Chief Financial Officer

Monday, 2 September 2019

Notes to the condensed financial statements

1 Accounting policies

Basis of preparation

The annual financial statements of The Restaurant Group plc are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed set of financial statements included in this interim financial report has been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the European Union. The accounting policies and methods of computation used are consistent with those used in the Group's latest annual audited financial statements, except as disclosed below.

General information

The comparatives for the full year ended 30 December 2018 do not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on these accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

Going concern basis

The condensed set of financial statements have been prepared on the going concern basis as, after making appropriate enquires, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future at the time of approving the condensed set of financial statements.

Changes in accounting policies

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements. There have been no changes to the accounting standards in the current period that have materially impacted the Group financial statements.

As noted in the Group's latest audited financial statements the Group expects IFRS 16 'Leases', which will replace IAS 17 'Leases', to have a material impact on the reported assets, liabilities and income statement of the Group. The Group will be required to adopt the new standard for its financial year commencing 30 December 2019.

Under IFRS 16, the majority of the Group's operating leases will be 'on balance sheet' as reflected by a right-of-use asset and corresponding lease liability. As a result, earnings before interest, tax, amortisation and depreciation (EBITDA) will increase as the current operating lease charge will be substituted for an increased depreciation charge, arising from the right-of-use asset, and an increased interest charge, arising from the unwinding of discount on the lease liability, both of which are presented below EBITDA. IFRS 16 will impact other financial measures, including debt, debt covenants, gearing and earnings per share.

Management are currently assessing the impact of adopting IFRS 16 and accordingly it is not yet practicable to quantify the effects or the option which the Group may select upon transition. The Group intends to give an indication of the transition impact in the year end financial statements.

Restatement of comparatives

During the year ended 30 December 2018, management identified five items which resulted in a retrospective amendment of the financial statements.

These items have also been retrospectively applied to the period ended 1 July 2018. The amount of correction for each financial line item affected and for basic and diluted earnings per share is disclosed below. Further information can be obtained from the 2018 Annual Report.

Notes to the condensed financial statements
continued

	As originally disclosed £'000	Capital contributions (i) £'000	Rent free periods (ii) £'000	Finance lease (iii) £'000	Dilapidations provision (iv) £'000	Impairment and onerous leases (v) £'000	As restated £'000
Consolidated income statement for the 26 weeks ended 1 July 2018							
Cost of sales before exceptional items*	(291,473)	194	–	(100)	–	354	(291,025)
Interest payable	(756)	–	–	100	–	–	(656)
Exceptional tax credit	861	–	–	–	–	413	1,274
Profit for the period	8,042	194	–	–	–	767	9,003
Adjusted EBITDA	38,060	422	–	(103)	–	–	38,379
Depreciation and amortisation	(17,163)	(228)	–	3	–	354	(17,034)
Consolidated balance sheet at 1 July 2018							
Property, plant and equipment	331,337	16,460	–	84	–	(23,486)	324,395
Trade and other payables – current	(140,328)	(841)	7,884	–	2,200	–	(131,085)
Other payables – non-current	(2,488)	(15,038)	(7,884)	1,222	–	–	(24,188)
Deferred tax liabilities	(4,415)	–	–	–	–	826	(3,589)
Provisions – non-current	(29,874)	–	–	–	(2,200)		(32,074)
Retained earnings	114,350	581	–	1,306	–	(22,660)	93,577

	As originally disclosed £'000	Capital contributions (i) £'000	Rent free periods (ii) £'000	Finance lease (iii) £'000	Dilapidations provision (iv) £'000	Impairment and onerous leases (v) £'000	As restated £'000
Basic and diluted earnings per share							
Weighted average ordinary shares for the purposes of basic earnings per share	200,382,906						200,382,906
Weighted average ordinary shares for the purposes of diluted earnings per share	201,169,275						201,169,275
Total profit for the period (£'000)	8,042	194	–	–	–	767	9,003
Basic profit per share for the period (pence) (Note 6)	4.01	0.10	–	–	–	0.38	4.49
Diluted profit per share (pence) (Note 6)	4.00	0.10	–	–	–	0.38	4.48
Adjusted basic profit per share for the period (pence) (Note 6)	7.80	0.10	–	–	–	–	7.90
Adjusted diluted profit per share (pence) (Note 6)	7.77	0.10	–	–	–	–	7.87

* Prior period comparatives have been restated to conform with current period presentation. This involves a reallocation between Cost of sales and Administration costs resulting in Cost of sales of £292,139 being disclosed on the face of the income statement.

(i) Lease incentives – capital contributions

The Group historically recognised contributions received from landlords to offset against the cost of fitting out a restaurant as a reduction in Property, plant and equipment. In 2018 management reclassified these to Trade and other payables, split between current and non-current. Whereas these have previously been depreciated each year, over the lease life, all lease incentives are now recognised within Cost of sales in the income statement. This has resulted in an increase in the Depreciation charge of £0.2m and a decrease in rent of £0.4m for the 26 week period to 1 July 2018. The balance sheet has been represented here to reflect the adjustments recognised at 31 December 2017 plus the six months income statement movements noted above.

(ii) Lease incentives – rent free periods

The Group has previously accounted for rent free lease incentives as a current liability, despite them being recognised in the income statement over the life of the lease. In 2018 the Group reclassified amounts that will be unwound to the income statement after one year to non-current Other payables. This has resulted in no impact on the income statement for the 26 week period to 1 July 2018 as the incentive was released appropriately. The balance sheet has been represented here to reflect the adjustments recognised at 31 December 2017 plus the six months income statement movements noted above.

(iii) Finance lease

The historical accounting for finance leases on a number of sites was incorrect. A mechanical calculation error had led to the future cash outflows being overstated. This has resulted in an increase of £0.1m in Cost of sales with a corresponding reduction in Interest payable for the 26 week period to 1 July 2018. Therefore, there was no impact on profit before tax for the 26 week period to 1 July 2018. The balance sheet has been represented here to reflect the adjustments recognised at 31 December 2017 plus the six months income statement movements noted above.

(iv) Dilapidations provision

The Group historically recorded dilapidation provisions within current Trade and other payables. In 2018 the Group corrected the reclassification of dilapidations to non-current Provisions. This has resulted in no impact on the income statement for the 26 week period to 1 July 2018 as these were recognised prior to 1 January 2018. The balance sheet has been represented here to reflect the adjustments recognised at 31 December 2017 plus the six months income statement movements noted above.

(v) Impairment and onerous leases

As part of the year-end process, management reviewed and re-assessed the method by which central costs are allocated to the individual CGUs for the purposes of impairment testing. As a result an appropriate portion of the central costs were allocated to the CGUs to more accurately determine their future cash flows. This has resulted in a reduction in Depreciation and increase in Profit before tax of £0.4m for the 26 week period to 1 July 2018. The balance sheet has been represented here to reflect the adjustments recognised at 31 December 2017 plus the six months income statement movements noted above.

Notes to the condensed financial statements
continued

2 Segmental analysis

The Group trades in one business segment (that of operating restaurants) primarily within the United Kingdom. In addition, the Group operates restaurants in the United States and generates revenues from franchise royalties primarily in the Middle East and Europe. The segmentation between geographical location and restaurant operations and royalty revenues are not considered significant to be reportable segments under IFRS 8.

3 Cost of sales

	26 weeks ended 30 June 2019 (unaudited) £'000	26 weeks ended 1 July 2018 Restated (Note 1) (unaudited) £'000	52 weeks ended 30 December 2018 (audited) £'000
Cost of sales consists of the following:			
Continuing business excluding pre-opening costs	**451,490**	291,494	**601,928**
Pre-opening costs	**1,047**	645	**1,404**
Trading cost of sales	**452,537**	292,139	**603,332**
Exceptional items (Note 4)	**112,760**	8,444	**23,997**
Total cost of sales for the period	**565,297**	300,583	**627,329**

4 Exceptional items

	26 weeks ended 30 June 2019 (unaudited) £'000	26 weeks ended 1 July 2018 Restated (Note 1) (unaudited) £'000	52 weeks ended 30 December 2018 (audited) £'000
Included within cost of sales:			
• Impairment of property, plant and equipment	**100,151**	6,178	13,970
• Onerous lease provisions in respect of closed and other sites	**10,702**	2,266	10,027
• Write off of closed site property, plant and equipment	**1,907**	–	–
	112,760	8,444	23,997
Included within administration costs:			
• Acquisition and integration costs	**2,964**	–	14,775
Included within interest payable:			
• Refinancing costs	**–**	–	467
Exceptional items before tax	**115,724**	8,444	39,239
Credit in respect of tax rate change	**–**	–	219
Tax effect of exceptional Items	**(14,800)**	(1,274)	(4,531)
	(14,800)	(1,274)	(4,312)
Net exceptional items for the period	**100,924**	7,170	34,927

An exceptional pre-tax charge of £115.7m has been recorded in the period (H1 2018: £8.4m), which includes the following:

An impairment charge of £100.2m (H1 2018: £6.2m) has been incurred. Of the £100.2m charge, £97.9m related to restaurants trading within in our Leisure business and £2.3m relates to two Wagamama restaurants in the US. The impairment charge comprised of two main elements:

(i) In the Leisure business we have recognised an impairment charge across sites that were identified as structurally unattractive; and

(ii) In addition, given the well documented over capacity and continued like-for-like sales decline in the casual dining market, and ongoing cost headwinds we have taken a more cautious medium term outlook when assessing the Leisure business for impairment

Notes to the condensed financial statements
continued

Onerous lease provisions resulted in a charge of £10.7m in the period (H1 2018: £2.3m). This comprises:

- A £0.4m credit in respect of unutilised provisions following the successful exit of four sites ahead of expectations;
- A further charge totalling £11.1m was provided for in the period. This comprised a charge of £5.7m in respect of newly identified onerous leases and a charge of £5.4m in respect of sites previously provided for.

A write off of £1.9m (H1: £nil) was made to the carrying value of the property, plant and equipment for sites which are converting to Wagamama.

An exceptional charge of £3.0m (H1 2018: £nil) was made relating to the acquisition and integration costs of Wagamama.

The tax credit relating to these exceptional charges was £14.8m (H1 2018: £1.3m).

Cash expenditure associated with the above exceptional charges was £27.5m in the period (H1 2018: £5.7m) relating to the cash cost of the onerous leases of £6.7m (H1 2018: £5.7m) and the cash cost of the acquisition and refinancing of £20.7m (H1 2018: £nil).

Impairment testing on the Group's property, plant and equipment has been based on value in use estimates using cash flow projections. The projected cash flows have been discounted using a rate based on the Group's pre tax Weighted Average Cost of Capital of 10.3% (2018: 9.2%) that reflects the risk of these assets. Cash flows are extrapolated in perpetuity or to the end of the lease life using different growth rates depending on the area of the business.

The key assumptions in the value in use estimates are the discount rate applied and the forecast cash flows. An increase of 1% in the discount rate would give rise to an additional impairment charge of approximately £0.1m, whilst a decrease of 1% in the discount rate would give rise to a reduction in impairment of approximately £0.1m. The forecast cash flows take into account management's experience of the specific sites and its long term expectations of the market. A 1% reduction in the like-for-like sales growth rate would result in an additional impairment charge of approximately £9.0m.

5 Tax

The tax charge has been calculated by reference to the expected effective current and deferred tax rates for the financial year to 29 December 2019 applied against the trading profit before tax for the period ended 30 June 2019.

The effective tax rate on the adjusted profit (before exceptional items) is estimated to be 21.1%.

The Finance (No.2) Act 2015 introduced a reduction in the main rate of corporation tax from 20% to 19% from April 2017 and from 19% to 18% from April 2020. These reductions were substantively enacted on 26 October 2015.

The Finance Act 2016 introduced a further reduction in the main rate of corporation tax to 17% from April 2020. This was substantively enacted on 6 September 2016. The deferred tax provision at the balance sheet date has been calculated at this rate.

6 Earnings per share

	26 weeks ended 30 June 2019 (unaudited)	26 weeks ended 1 July 2018 Restated (Note 1) (unaudited)	52 weeks ended 30 December 2018 (audited)
a) Basic earnings per share:			
Weighted average ordinary shares for the purposes of basic earnings per share	490,807,953	274,625,381	284,959,978
Total (loss)/profit for the period (£'000)	(78,779)	9,003	6,882
Basic earnings per share for the period (pence)	(16.05)	3.28	2.42
Total (loss)/profit for the period (£'000)	(78,779)	9,003	6,882
Effect of exceptional items on earnings for the period (£'000)	100,924	7,170	34,927
Earnings excluding exceptional items (£'000)	22,145	16,173	41,809
Adjusted earnings per share (pence)	4.51	5.89	14.67
b) Diluted earnings per share:			
Weighted average ordinary shares for the purposes of basic earnings per share	490,807,953	274,625,381	284,959,978
Effect of dilutive potential ordinary shares:			
Dilutive shares to be issued in respect of options granted under the share option schemes	329,361	139,620	64,070
Shares held by employee benefit trust	688,276	938,101	688,276
	491,825,590	275,703,102	285,712,324
Diluted earnings per share (pence)	(16.05)	3.27	2.41
Adjusted diluted earnings per share (pence)	4.50	5.87	14.63

On the 14 December 2018 the group issued 290,428,830 new ordinary shares of 28.125p each through a rights issue. To reflect the rights issue, the number of shares previously used to calculate basic and diluted earnings per share and adjusted earnings per share have been amended in the table above in accordance with IAS 33. A bonus adjustment factor of 1.3705 has been applied, based on the ratio of an adjusted closing share price of 200.0p per share on 30 October 2018, the business day before the shares started trading ex rights price at that date of 108.5 pence per share.

Notes to the condensed financial statements continued

Diluted earnings per share information is based on adjusting the weighted average number of shares for the purposes of basic earnings per share in respect of notional share awards made to employees in regards of share option schemes and the shares held by the employee benefit trust. The calculation of diluted earnings per share does not assume conversion, exercise or other issue of potential ordinary shares that would have an antidilutive effect on earnings per share.

7 Dividend

Following approval at the Annual General Meeting on 17 May 2019, the final dividend in respect of 2018 of 1.47p per share totalling £7.2m was paid to shareholders on 5 July 2019.

The Directors have declared an interim dividend of 2.1p per share which will be paid on 10 October 2019 to shareholders on the register on 13 September 2019 and shares will be marked ex-dividend on 12 September 2019. In accordance with IAS 10, this will be recognised in the reserves of the Group in the second half of the year.

8 Reconciliation of profit before tax to cash generated from operations

	26 weeks ended 30 June 2019 (unaudited) £'000	26 weeks ended 1 July 2018 Restated (Note 1) (unaudited) £'000	52 weeks ended 30 December 2018 (audited) £'000
(Loss)/profit before tax	**(87,670)**	12,246	13,931
Net interest charges	**8,402**	655	2,232
Impairment of property, plant and equipment	**100,151**	6,178	13,970
Onerous lease and other property provisions	**10,702**	2,266	10,027
Acquisition and post acquisition integration costs	**2,964**	–	14,775
Write off of closed sites property, plant and equipment	**1,907**	–	–
Refinancing costs	**–**	–	467
Share-based payments	**(256)**	190	761
Depreciation and amortisation	**24,991**	17,034	32,453
Loss on disposal of property, plant and equipment	**189**	27	104
Mark to market adjustment on acquired operating leases	**(335)**	–	–
Decrease in inventory	**187**	20	83
Decrease/(increase) in receivables	**8,559**	(4,619)	(3,983)
(Decrease)/increase in payables	**(17,538)**	(8,409)	3,487
Cash generated from operations	**52,253**	25,588	88,307

9 Bank loans

Total Group borrowing facilities consist of £220m revolving credit facilities and a £225m high-yield bond. In addition, the Group has a £10m overdraft facility, which is repayable on demand, on which interest is payable at the bank's overdraft rate. At 30 June 2019, the Group had £95.0m of unutilised borrowing facilities (30 December 2018: £86.0m; 1 July 2018: £110.0m) and £10.0m of undrawn overdraft (30 December 2018 and 1 July 2018: £10.0m of undrawn overdraft).

10 Financial instruments and derivatives

The treasury strategy, treasury risk management, capital risk management and financial risk management remain consistent with those explained in the Group's latest annual audited financial statements.

(a) Financial assets

The financial assets of the Group, all of which are classified as loans and receivables at amortised cost, comprise:

	At 30 June 2019 (unaudited) £'000	At 1 July 2018 (unaudited) £'000	At 30 December 2018 (audited) £'000
Cash and cash equivalents	31,910	6,575	65,903
Other receivables	20,651	17,257	22,912
Total financial assets	52,561	23,832	88,815

Cash and cash equivalents include £0.7m (1 July 2018: £0.5m and 30 December 2018: £0.7m) held on account in respect of deposits paid by tenants under the terms of their rental agreement.

Financial liabilities

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

	At 30 June 2019 (unaudited) £'000	At 1 July 2018 Restated (Note 1) (unaudited) £'000	At 30 December 2018 (audited) £'000
Trade and other payables	139,136	109,609	166,281
Short–term financial liabilities	139,136	109,609	166,281
Long–term borrowings – at fixed interest rates	225,000	–	225,000
Long–term borrowings – at floating interest rates	125,000	30,000	134,000
Bank fees	(3,889)	(616)	(4,580)
Other payables	2,335	1,266	2,343
Long–term financial liabilities	348,446	30,650	356,763
Total financial liabilities	487,582	140,259	523,044

Notes to the condensed financial statements
continued

Fair value of financial assets and liabilities
All financial assets and liabilities are accounted for at amortised cost and the Directors consider the carrying value to approximate to their fair values.

11 Share capital
Share capital at 30 June 2019 amounted to £138.2m. The number of shares authorised, used and fully paid remained at 491,496,230 during the period.

12 Related party transactions
There were no related party transactions in the 26 weeks ended 30 June 2019.

13 Contingent liabilities
There were no significant changes in the nature and size of contingent liabilities at 30 June 2019 to those reported in the Annual Report for the 52 weeks ended 30 December 2018.

14 Adjustment to fair values on acquisition
During 2018, Brunning and Price Limited acquired 100% of issued shares in Food and Fuel Limited and the Group recognised provisional fair values of the identifiable assets and liabilities acquired. During 2019, the Group undertook an external valuation of the property, plant and equipment which was representative of its fair value at the acquisition date. This has resulted in a £3.7m decrease in acquired property, plant and equipment from £6.4m to £2.7m and a £3.7m increase in goodwill from £10.4m to £14.1m. As permitted under IFRS the fair value of property, plant and equipment and goodwill have been retrospectively adjusted.

15 Events occurring after the reporting period
There are no material events which have arisen since the end of the period which have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

Independent review report to the members of The Restaurant Group plc

Introduction
We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 30 June 2019 which comprises a Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, a Condensed Consolidated Balance Sheet, a Condensed Consolidated Cash Flow Statement a Condensed Consolidated Statement of Changes in Equity and explanatory notes. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

The annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility
Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 30 June 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London

2 September 2019

Glossary

Trading business	Represents the performance of the business before exceptional items and is considered as the key metrics for shareholders to evaluate and compare the performance of the business from period to period.
Exceptional items	Those items that, by virtue of their unusual nature or size, warrant separate additional disclosure in the financial statements in order to fully understand the performance of the Group.
Like-for-like sales	This measure provides an indicator of the underlying performance of our existing restaurants. There is no accounting standard or consistent definition of 'like-for-like sales' across the industry. Group like-for-like sales are calculated by comparing the performance of all mature sites in the current period versus the comparable period in the prior year. Sites that are closed, disposed or disrupted during a financial year are excluded from the like-for-like sales calculation.
EBITDA	Earnings before interest, tax, depreciation, amortisation and impairment.
Outlet EBITDA	EBITDA directly attributable to individual sites and therefore excluding corporate and central costs.
Adjusted EBITDA	Earnings before interest, tax, depreciation, amortisation and exceptional items. Calculated by taking the Trading business operating profit and adding back depreciation and amortisation.
Net debt	Net debt is calculated as the long-term borrowings and finance lease obligations less cash and cash equivalents.
Free cash flow	EBITDA less working capital and non-cash movements (excluding exceptional items), tax payments, interest payments and maintenance capital expenditure.
Adjusted operating profit	Earnings before interest, tax and exceptional items.
Adjusted EPS	Calculated by taking the profit after tax of the business pre-exceptional items divided by the weighted average number of shares in issue during the period.
Adjusted diluted EPS	Calculated by taking the profit after tax of the business pre-exceptional items divided by the weighted average number of shares in issue during the period, including the effect of dilutive potential ordinary shares.
Adjusted profit before tax	Calculated by taking the profit before tax of the business pre-exceptional items.
Adjusted tax	Calculated by taking the tax of the business pre-exceptional items.

Shareholder information

Directors
Debbie Hewitt
Non-executive Chairman

Andy Hornby (from 1 August 2019)
Chief Executive Officer

Kirk Davis
Chief Financial Officer

Allan Leighton
Senior independent non-executive Director

Graham Clemett
Independent non-executive Director

Mike Tye
Independent non-executive Director

Simon Cloke
Non-executive Director

Company Secretary
Jean-Paul Rabin

Head office
(and address for all correspondence)
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London SE1 1EP

Telephone number
020 3117 5001

Company number
SC030343

Registered office
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Glasgow G2 1AL

Registrar
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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

Goodman Derrick LLP
10 St Bride Street
London EC4A 4AD

Brokers
JPMorganCazenove
25 Bank Street
London E14 5JP

Numis Securities Limited
The London Stock Exchange
One Paternoster Square
London EC4M 7LT

Interim Dividend

Ex-dividend	12/09/2019
Record date	13/09/2019
Payment date	10/10/2019

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