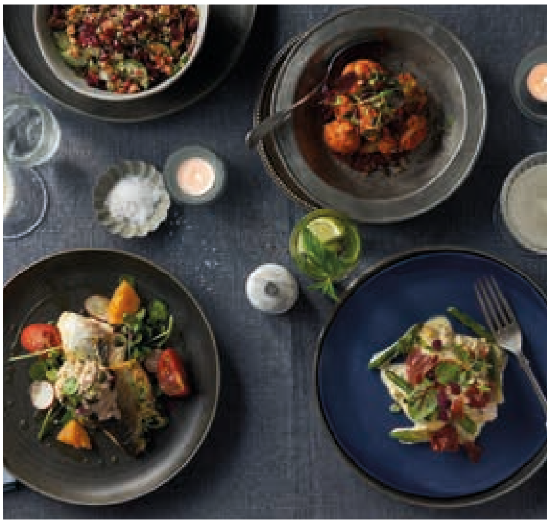
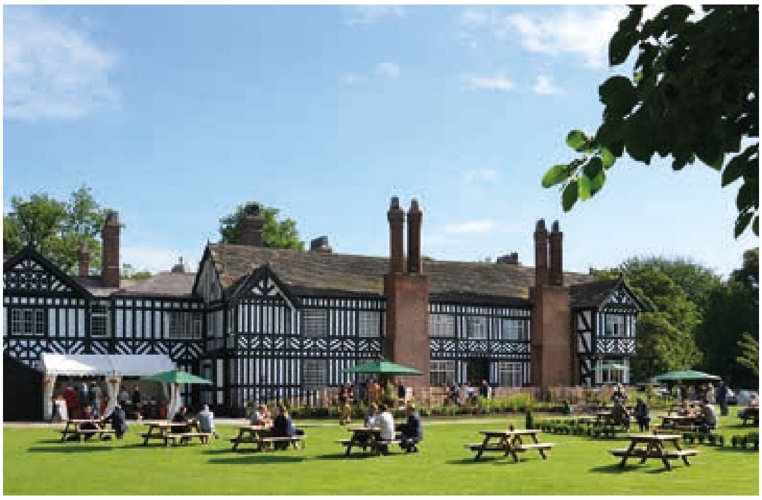
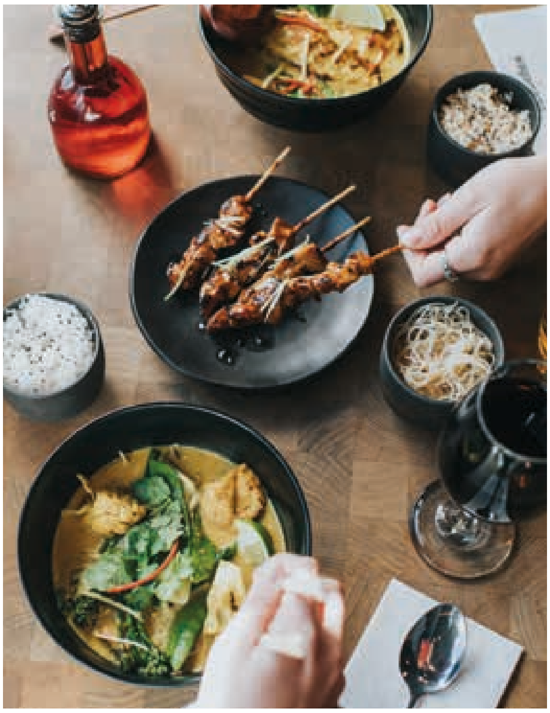
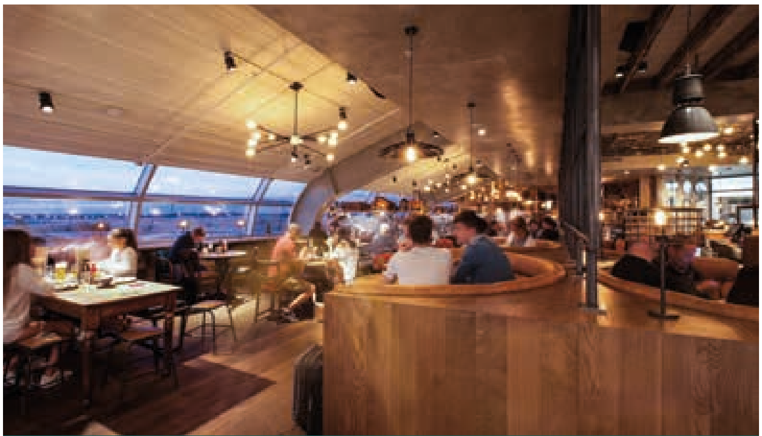








Interim Report 2020

Interim results for the 26 weeks ended 28 June 2020

The Restaurant Group plc

Contents

Introduction

The Restaurant Group plc operates over 350* restaurants and pub restaurants.

* Sites trading as at 20 September 2020.

Our brands

Decisive response to COVID-19 pandemic resulting in a higher quality, diversified estate with very encouraging trading since reopening

Summary

- Focus on safeguarding our colleagues and customers during COVID-19
- Implemented significant restructuring actions resulting in a higher quality, diversified estate
- Secured additional funding, covenant waivers and increased tenure from our banking group
- Net debt of c.£311m (excl. IFRS 16) considerably better than anticipated
- Trading performance post-lockdown (for the 11 weeks from 4 July to 20 September 2020) with c.90% of the retained estate now open has been very encouraging:
  - Wagamama: Like-for-like ('LFL') sales growth of 11%, outperformance of 5% versus the market[1]
  - Leisure: LFL sales growth of 4%, broadly in line with the market[1], representing strongest trading performance in over five years
  - Pubs: LFL sales growth of 14%, exceptional outperformance of 20% versus the market[2]
  - Concessions: Disciplined reopening programme focused on EBITDA delivery. LFL sales decline of 58%[3], 15% ahead of passenger volumes

Outlook

- Retain cautious outlook for the short term given ongoing impact of pandemic and government-imposed restrictions
- Restructured business well positioned to adapt to the challenges being faced and deliver long term shareholder value.

1 Market refers to the Coffer Peach tracker for restaurants.

2 Market refers to the Coffer Peach tracker for pub restaurants.

3 The Wagamama site located in Gatwick North included within the Concessions reported number.

The Group's Adjusted performance metrics ('APMs') such as like-for-like sales, Adjusted measures, IAS 17 basis measures and free cash flow are defined within the glossary at the end of this report.

Chief Executive Officer's statement

It has been an extraordinary and difficult period for the hospitality sector but one in which we have pulled together to achieve a great deal. The priority throughout has been the safety of our colleagues and customers, and we have also accelerated the reshaping of our portfolio, resulting in a higher quality, diversified estate.

Since reopening, I am genuinely pleased with the strength of our trading performance and would like to sincerely thank each and every one of our colleagues for their extraordinary efforts.

Whilst the sector outlook is uncertain, and we are mindful of recent restrictions across the UK, we are confident that the actions we have taken provide us with strong foundations to emerge as one of the long-term winners.

Andy Hornby
Chief Executive Officer

Our brands

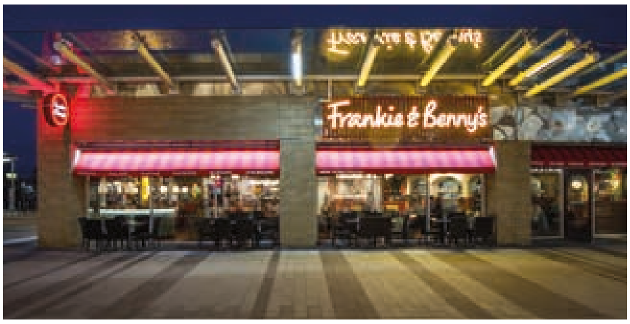
TRG operates a diverse portfolio of popular brands, each with their own unique and differentiated offering, but all with great hospitality at their core. Our portfolio offers something for everyone.

wagamama

131* 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. Wagamama also operated four delivery kitchens as at 20 September 2020.

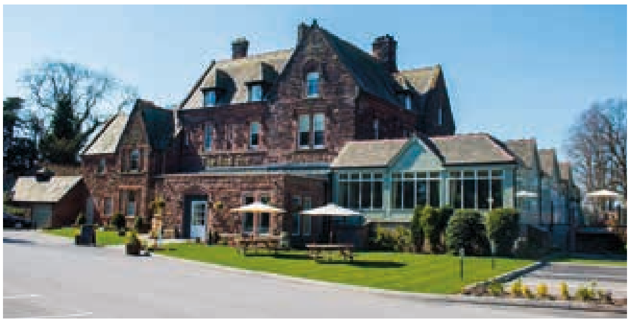


Frankie & Benny's

108* 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'.

* Sites trading as at 20 September 2020.



Brunning & Price LIMITED

77* Sites

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

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

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

* Sites trading as at 20 September 2020.

trg concessions

16* 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.

* Sites trading as at 20 September 2020.

CHIQUITO
RESTAURANT BAR & MEXICAN GRILL

19*

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.

* Sites trading as at 20 September 2020.

FIREJACKS
MEAT | FIRE | FRIENDS

3*

Sites

At Firejacks our mantra is simple 'Meat. Fire. Friends'. We pride ourselves on delivering an unparalleled restaurant experience where food innovation is at the heart. Our steaks and burgers are industry leading and the 'Big Smoke Burger' is the first of its kind in the UK.

* Sites trading as at 20 September 2020.

COAST TO COAST
AMERICAN RESTAURANT & BAR

1*

Site

FILLING STATION

3*

Sites

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

* Sites trading as at 20 September 2020.

Business review

Introduction

It has been an extraordinary and unprecedented period for the hospitality sector and the wider economy. We have acted decisively and at pace, ensuring the health and safety of our customers and colleagues, whilst also taking the right steps to protect the future of the business. Decisive actions were taken in response to the onset of the pandemic, but also in the restructuring of our estate which we have undertaken within an accelerated timeframe to ensure a higher quality, diversified estate.

Our reported results reflect the impact of lockdown, significant exceptional costs from the restructuring actions and the first time implementation of IFRS 16 'Leases'.

Since reopening, our trading performance has been very encouraging which gives us much confidence for the future, even if we must adapt to further challenges along the way.

I have outlined the key developments both during the half year period, and since, below.

1. Decisive actions taken in response to COVID-19

To address the effects of the pandemic and the lockdown measures put in place by the Government, swift and decisive action has been taken by the Group, including the following measures:

- Costs during lockdown were reduced to a maximum of only c.£3.5m per month;
- Immediate action to address working capital pressures, including contract renegotiations with our supportive supplier base and the agreement of deferred payment plans;
- A significant and immediate reduction in the capital expenditure of the Group to no more than £35.0m for the current financial year;
- Accessing government support where appropriate including:
  - The furloughing of over 20,000 employees across the restaurants and head office under the Government's Coronavirus Job Retention Scheme;
  - Agreement of payment plans with HMRC under the 'Time to Pay' scheme to defer payment of PAYE/NI;
  - VAT has been deferred under the VAT Deferral Scheme offered by the Government which allowed all VAT payments between March and June 2020 to be deferred to 2021;
  - Accessing the Government's business rates holiday.
- Voluntary pay sacrifices for the duration of furlough by:
  - TRG plc's Executive Directors (40% of salary by Andy Hornby, CEO, and 20% of salary by Kirk Davis, CFO, both of whom have also voluntarily waived their bonuses for the 2019 financial year);
  - A voluntary 40% reduction of Non-Executive Directors' fees (and reduction in the number of Non-Executives from six to five);
  - A majority of staff at head office (with pay sacrifices ranging again from 20% to 40% of salary).

In order to strengthen our liquidity, TRG plc carried out a placing of shares on 8 April 2020 which raised net proceeds of £54.6 million from institutional shareholders.

We also achieved increased flexibility in our banking facilities with our very supportive lending group:

- Covenant waivers achieved for June 2020 and December 2020;
- £160m RCF facility extended by 6 months to 30 June 2022;
- £50m CLBILS loan secured through Lloyds Banking Group expiring on 30 June 2022;
- Wagamama Super Senior RCF increased with Santander to £35m from £20m;
- The TRG RCF and CLBILS facilities are subject to a minimum liquidity requirement of £50m.

Therefore, overall, TRG added an additional £25m to the Group's overall committed debt facilities as well as extending the majority of facilities to 30 June 2022.

2. Proactively restructured the business to ensure a much higher quality, diversified estate

We have significantly restructured our estate through several initiatives:

- Successful CVA of 'The Restaurant Group (UK) Limited' (primary operator of the Frankie & Benny's brand) resulting in an exit of 128 underperforming trading sites. The CVA also resulted in achieving improved rental terms based on turnover on 83 sites in the remaining trading estate;
- Placing 'Chiquito Limited' (primary operator of the Chiquito's brand) into administration allowing us to exit 45[4] underperforming trading sites without further liabilities;
- Placing 'Food & Fuel Limited' (part of the Pubs business) into administration allowing us to exit 7[5] underperforming trading sites without further liabilities;

4 In total, the Chiquito Limited comprised 63 sites, 18 of which we achieved agreement with landlords and the administrator to retain.

5 In total, the Food & Fuel Limited estate comprised 11 sites, 4 of which we achieved agreement with landlords and the administrator to retain.

- We are in the process of exiting c.36-41 Concessions sites deemed economically unattractive based on expected future passenger trends over the medium term. On the remaining c.30-35 of the retained estate[6], we have achieved improved terms with the majority of our airport partners including a waiver of rental payments for non-trading periods and temporary suspension of minimum guaranteed rents (MGR's) or reduced MGR's linked to passenger volumes. This improved flexibility in the rental structure enables us to partially mitigate medium term passenger volatility;
- We have agreed revised terms with the majority of Wagamama landlords, which vary on a case by case basis General themes include waiver of rental payments for non-trading period and reduced base rents through 2020.

Following all of the actions above, the business has been reshaped and the future business is as below:

	Year-end 2019	CVA	Administrations	Closed[7]	Expected retained estate[8]
Leisure	350	(128)	(45)	(35-40)	**c.140**
Pubs	84	–	(7)	–	**77**
Concessions	71	–	–	(36-41)	**30-35**
Wagamama	148	–	–	(2)	**146**
Total	653	(128)	(52)	(73-83)	**c.400**

7 Net of any new openings this year.

8 Expectations as at October 2020.

3. Implemented a phased and measured reopening programme

Our reopening of the estate has been done in a controlled and phased manner with c.50% of units trading as at the end of July moving to c.90% as at the end of August with the acceleration in openings in part to take full advantage of the Eat Out to Help Out (EOTHO) scheme. Extensive planning was done in each division with protocols and procedures in place to ensure colleague and customer safety whilst providing an enjoyable and authentic hospitality experience.

The diversified portfolio of the Group also allowed each division to adapt uniquely to the challenges of social distancing, whilst keeping the customer at the heart of every decision, with some specific common themes including:

Guest and team safety: In Wagamama we introduced innovative sliding screens which help seat groups safely apart along our iconic benches to ensure guests can continue to enjoy the communal dining experience that we are known for. Our Pubs business benefited from the advantage of the spacious layout of its internal dining areas and many large beer gardens within its estate and these external areas have proved extremely valuable due to the extra space and ventilation they provide.

6 Subject to negotiations with airport partners.

Technology: In both our Wagamama and Pubs businesses we introduced new 'Pay at Table' functionality with very encouraging uptake and has been well received by our guests.

Optimising off-trade channels: New consumer behaviour developed rapidly during lockdown and continues to drive off-trade sales performance in both our Wagamama and Leisure businesses. In Wagamama, delivery has continued to see strong growth performance along with the enhanced click and collect proposition which allows our guests to collect food within a designated 15 minute timeslot. Performance of this channel during lockdown was very strong, and it has continued to perform well post the end of the EOTHO scheme with LFL delivery sales up 66% and LFL takeaway sales up 52% in the last four weeks (period ending 20 September). For this four week period, Delivery and takeaway sales rose to c.24% of total sales from c.16% in the comparative period.

Similarly, within our Leisure business a refresh of our existing delivery propositions and further development of online brands has seen delivery and takeaway sales rise to c.12% of total sales from c.4% in the comparative period.

We will continue to adapt our operations as we consider appropriate going forwards.

4. Trading performance post-lockdown (for the 11 weeks from 4 July to 20 September 2020) has been very encouraging thus far

Market dynamics in recent years have included oversupply with too many new entrants and site openings, inflexible and high rents and constraints on labour supply. In recent months there have been significant changes in each of these three themes as a result of the COVID-19 pandemic:

- **Capacity:** A c.30% capacity reduction announced to date across various long-established multi-site casual dining brands. In addition, there are still a number of units that are yet to re-open or close down, so their owners will have to decide in the months ahead what they wish to do
- **Rents:** A variety of changes to rental structures with more flexibility and greater proportion linked to turnover
- **Labour:** Greater availability of skilled and experienced labour for the remaining operators

The delivery market has also grown rapidly and was worth £8.4 billion in 2019, up 18% versus the previous year (source: MCA Foodservice Delivery Market report 2019). We believe the delivery market can continue to grow quickly, and it represents a significant strategic opportunity, particularly for the operators with the right scale, brands and capability set.

Business review continued

Divisional performance

Against this backdrop, the performance of our divisions since reopening has been very encouraging:

Wagamama

Since re-opening for dine-in we have seen a continued strong trading out-performance versus the market, with the division achieving LFL sales growth of 11%, representing a 5% out-performance versus the market.

In terms of the performance achieved by segment, we saw the strongest performances in our communities and destination shopping trading segments driven by displaced workers and local summer holidays, with our central London estate performing the weakest due to reduced footfall numbers. Split of LFL sales performance by segment is as follows:

- **Communities:** LFL sales growth of 25% (comprising c.50% of the estate)
- **Destination shopping:** LFL sales growth of 9% (comprising c.25% of the estate)
- **Major city centres:** LFL sales growth 6% (comprising c.12.5% of the estate)
- **Central London:** LFL sales decline of 24% (comprising c.12.5% of the estate)

Leisure

Since re-opening the restructured business has been trading broadly in line with the market with the division achieving LFL sales growth of 4%.

In terms of the performance achieved by segment, we saw the strongest performances in our retail parks as well as destination shopping trading segments driven by people working increasingly from home, resulting in trade being spread more throughout the week, with more leisure time to visit shopping centres and retail parks. Split of performance by segment as per below:

- **Retail park only:** LFL sales growth of 10% (comprising c.20% of the estate)
- **Destination shopping:** LFL sales growth of 8% (comprising c.20% of the estate)
- **Parks with a Leisure scheme:** LFL sales growth of 2% (comprising c.59% of the estate)
- **Central London:** LFL sales decline of 68% (comprising c.1% of the estate)

Pubs

Since re-opening we have seen an exceptional trading out-performance versus the market, with our Pubs achieving LFL sales growth of 14%, representing a 20% out-performance versus the market.

In terms of the performance achieved by segment, we saw the strongest performances in our rural and suburban estate, with our central London estate performing the weakest reflecting the lower footfall due to the impact of working from home. Split of performance by segment is as follows:

- **Suburban:** LFL sales growth of 17% (comprising c.35% of the estate)
- **Rural:** LFL sales growth of 16% (comprising c.40% of the estate)
- **Town:** LFL sales growth of 4% (comprising c.20% of the estate)
- **Central London:** LFL sales decline of 38% (comprising c.5% of the estate)

Concessions

As widely reported, COVID-19 has hit the travel sector incredibly hard with short notice changes to quarantine arrangements and passenger volumes remaining significantly down on last year.

Our focus has therefore been on a measured reopening programme as airport travel rebuilds, with a slower re-opening rate than the rest of group, focussing on positive EBITDA delivery in each site reopened.

We currently have 16 sites open with LFL sales declining by 58%, +15% ahead of passenger volume decline. Passenger dwell time has increased at airports (due to increased security measures) which has increased customer spend per head. Additionally there is currently reduced competition operating, benefitting operators such as us who have re-opened.

Restructured group with four distinct pillars well positioned to deliver long-term shareholder value

Our Group is focused on addressing what we believe are attractive segments of the market and good locations, with increasing penetration of delivery and take-away components across our Wagamama and Leisure divisions. Since re-opening, the Group brands' trading performance have been in line or exceeded their respective market benchmark, demonstrating their attractive positioning in the UK market. The Group is therefore very well positioned across its diversified brand portfolio to benefit from a return to more normal levels of customer activity, as and when that occurs, and as a result deliver long-term shareholder value:

- **Wagamama** (37% of retained estate): is the only UK pan-Asian brand concept of scale and benefits from being aligned to a number of consumer trends, including the focus on healthy options, demand for speedy service and convenience through delivery. The business has a five-year track record of consistent market like-for-like sales outperformance pre-lockdown, and this has continued since trade recommenced. Delivery related sales penetration has increased significantly, and the business is well positioned to win in the long-term structural growth in the delivery market. Long-term ambitions include significant, measured roll-out to expand both in the UK to c.200 restaurants (from 146 today) and in international markets via franchise and US JV.
- **Leisure** (35% of retained estate): The portfolio has been significantly restructured leading to a c.60% reduction in the estate, resulting in the exit of a large number of structurally unattractive leases, addressing a prior key weakness in the division. The resulting portfolio has the potential to achieve a higher average EBITDA and EBITDA margin per outlet, with a significantly improved rental structure. Delivery related sales now represent c.10% of revenues (<5% in FY19) and the business is well positioned for further growth in this sales channel. Long-term ambitions will focus on improving the cash generative nature of the division, maintaining the best sites in the strongest locations and increasing delivery penetration.
- **Pubs** (19% of retained estate): Our pubs business benefits from being situated in strong locations with large outside spaces and limited local competition. There is strong asset backing, with a freehold asset base valued at £153m (as at Nov 2019). They have demonstrated excellent operational capabilities, with a well-established team and practices. Our Pubs business has a strong five-year track of consistent market LFL sales outperformance and this outperformance has accelerated since recent re-opening. Long-term ambitions relate to there being considerable opportunity for further selective site expansion and growing the business from 77 pubs today to c.120-160 pubs.
- **Concessions** (9% of retained estate): The business has historically benefited from consistent UK passenger growth and traded ahead of it. Given passenger volumes are significantly down at present and anticipated to not significantly improve until 2022, we have restructured our estate resulting in a c.50% reduction in sites and adopted a disciplined re-opening programme focused on EBITDA delivery. Our LFL sales performance since re-opening has been ahead of passenger growth. The resulting portfolio has the potential to achieve a higher average EBITDA and EBITDA margin per outlet, on a flexible rental structure and deliver strong returns when air passenger growth returns to more normal levels of activity.

For illustrative purposes only, the restructured Group as it stands today would be capable of delivering annualised EBITDA of between £110m to £125m (on an IAS 17 basis) if its retained estate[9] were to achieve 2019 sales levels. Clearly in these uncertain times, it is incredibly challenging to accurately predict when or if this will happen. For the avoidance of doubt, this is not intended to be a profit forecast and is purely illustrative in nature, showing what the annualised EBITDA could have been on the assumption that 2019 sales levels were achieved.

Summary and outlook

The outlook for the sector remains extremely challenging but the Group is well-positioned, with:

- Sector capacity reducing
- A much higher quality diversified estate
- Very encouraging trading since reopening
- Restructured group with four distinct pillars well positioned to deliver long-term shareholder value.

9 C.400 sites described in the Business Review section.

Financial review

Financial summary

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

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

Adjusted measures are summarised below:

	26 weeks ended 28 June 2020 IFRS 16 £m	26 weeks ended 28 June 2020 IAS 17 £m	26 weeks ended 30 June 2019 IAS 17 £m
Revenue	**227.2**	227.2	515.9
Adjusted[1] EBITDA	**18.9**	(18.3)	61.4
Adjusted[1] operating (loss)/profit	**(41.3)**	(38.9)	36.5
Adjusted[1] operating margin	**(18.2%)**	(17.1%)	7.1%
Adjusted[1] (loss)/profit before tax	**(62.6)**	(47.5)	28.1
Exceptional items before tax	**(172.2)**	n/a	(115.7)
Statutory (loss) before tax	**(234.7)**	n/a	(87.7)
Statutory (loss) after tax	**(207.5)**	n/a	(78.8)
Adjusted[1] EPS (pence)	**(11.2)p**	n/a	4.5p
Statutory EPS (pence)	**(38.8)p**	n/a	(16.1)p

1 The Group's adjusted performance metrics such as like-for-like sales and Adjusted EBITDA are defined within the glossary at the end of this report.

Trading results

The first half of 2020 began well but was then severely impacted by the effects of COVID-19 and the resulting compulsory closure of all Group sites from 20 March to the end of the half year on 28 June. As such the trading results are split into the period to the end of February, and then the financial results during the lockdown.

Prior to the lockdown, the results for the first eight weeks of trading to the 23 February were very encouraging with the business delivering LFL sales growth of 4.5%. All businesses were in LFL sales growth, with Adjusted EBITDA (on an IAS 17 basis) of £15.9m, which was ahead of the comparative period by approximately 40%.

From the start of March, trading began to slow culminating in the full lockdown of the business. Following the closure of the restaurants, the management team took decisive action to reduce cash expenditure. All the restaurant teams and the vast majority of head office were furloughed leaving a small core team managing the business. In addition, the business worked with its suppliers, HMRC, and landlords to agree payment plans to defer payments and the remaining management team took pay cuts. I am delighted with the results of this exercise which reduced the cash-burn of the business to c. £3.5m per month. I would like to thank the team for their efforts in moving quickly to protect the business.
In addition, we are grateful to the government for their support during lockdown in providing schemes such as the Coronavirus Job Retention Scheme, which provided critical support to our employees, and the business rates holiday.

Unfortunately, we had to take several difficult decisions during this time to protect the business in a very uncertain trading environment. We placed our Chiquito Limited and Food & Fuel Limited businesses into Administration with the permanent closure of 52 sites. We also conducted a Company Voluntary Arrangement (CVA) of The Restaurant Group (UK) Limited which contains the majority of our Leisure business and led to Group exiting the leases on 128 trading sites permanently closed as a result of COVID-19. These difficult decisions were taken to protect the rest of the business from sites which were highly likely to require significant cash to support their future operations. The net result of these changes to our estate has meant that the reduction in the Leisure estate that was expected to be completed over the next five years was effectively achieved in five months, completing shortly after the half year.

In order to improve our liquidity position, we raised £54.6m of equity via a placing and accessed an additional £25.0m of debt facilities which further strengthened the balance sheet.

These swift, and decisive, actions have meant that the business was well placed to emerge from the pandemic in a strong position. The re-opening of sites since 4 July has been very promising with strong LFL sales growth achieved in all divisions apart from Concessions which has been heavily impacted by the well-reported travel disruptions. The impact of the EOTHO scheme clearly encouraged customers back into our sites and delivered an exceptionally strong August.

Including the impact of IFRS 16, Adjusted[1] operating profit fell to a loss of £41.3m and the loss after tax but before exceptional items fell to a loss of £59.8m. In the period exceptional items of £172.2m were recorded leading to total losses after tax and exceptional items of £207.5m.

Measures used to monitor business performance in 2020 are based on the IAS 17 approach to lease accounting, which is consistent with prior years but does not include the impact of IFRS 16. On this basis, Adjusted[1] operating profit fell to a loss of £38.9m (2019: profit of £36.5m) and Adjusted[1] EBITDA was a loss of £18.3m (2019: profit of £61.4m). Losses before tax and exceptional items were £47.5m (2019: profit of £28.1m). H1 Adjusted[1] EBITDA (on an IAS 17 basis) does not include rent credits of £9m to £10m relating to the Leisure CVA and rent deals secured for Wagamama, as these occurred post the half-year reporting period.

Adjusted[1] loss per share ('EPS') was 11.2p (2019: earnings per share of 4.5p) and on a statutory basis the loss per share was 38.8p (2019: loss of 16.1p). The fall in EPS reflects both the losses in the current period and the greater number of shares in issue following the equity raise.

Cash flow and net debt

The business focussed primarily on cash flow and liquidity throughout the period of lockdown, and to ensure that it had the cash required, it made a significant net drawdown on its facilities of £106.7m (2019: repayment of £9.0m). This coupled with the net proceeds from the equity placing of £54.6m has left the Group with £132.9m of cash on its balance sheet (2019: £31.9m), with a minimum liquidity requirement of £50.0m.

The shutdown of our business led to a significant working capital outflow risk relating to trade creditor balances, however, we worked in partnership with our key suppliers to agree deferred payment plans to minimise the impact and utilised support from government through the 'Time to Pay' arrangements. From the end of March, capital expenditure on development projects was halted completely, and maintenance expenditure was reduced to the minimum possible level to ensure compliance with property or other regulations. Prior to March, significant work had been undertaken on new openings in Manchester T2, three Wagamama restaurants and two Pubs; the opening date for all of these has been pushed back into Q4 2020 or H1 2021 depending on future trading levels and cashflow.

1 The Group's adjusted performance metrics such as like-for-like sales and Adjusted EBITDA are defined within the glossary at the end of this report.

In the first half of the year, the business incurred exceptional cash costs totalling £6.5m relating predominately to the cash impact of restructuring actions and professional fees.

Summary cash flow for the period is set out below:

	IFRS 16 2020 £m	IAS 17 2019 £m
Adjusted[1] (loss)/profit before tax	(62.6)	28.1
Non-cash items	21.4	8.0
Depreciation and amortisation	60.2	25.0
Rent payments	(11.2)	–
Working capital	(46.4)	(8.8)
Operating cash flow[10]	(38.6)	52.3
Net interest paid	(7.7)	(7.4)
Tax paid	(2.8)	(4.0)
Refurbishment and maintenance expenditure	(10.0)	(14.0)
Free cash flow	(59.1)	26.9
Development expenditure	(14.4)	(24.3)
Utilisation of onerous lease provisions	–	(6.7)
Exceptional costs	(6.5)	(20.7)
Proceeds from issue of share capital	54.6	–
Proceeds from disposals	2.5	–
Other items	(0.7)	(0.9)
Cash movement	(23.6)	(25.7)
Group net debt brought forward	(286.6)	(291.1)
Non-cash movement in net debt	(0.7)	–
Group net debt carried forward (IAS 17 basis)	(310.9)	(316.8)
Incremental lease liabilities (IFRS 16)	(827.2)	
Group net debt carried forward (IFRS 16 basis)	(1,138.1)	

1 The Group's adjusted performance metrics such as like-for-like sales and Adjusted EBITDA are defined within the glossary at the end of this report.

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

We remain in a period of unprecedented uncertainty given the ongoing COVID-19 pandemic. In light of this improving liquidity remains a priority and the Group continues to review a range of options, both equity and debt, to strengthen our balance sheet.

Financial review continued

Going concern

The directors have adopted the going concern basis in preparing these interim accounts after assessing the Group's principal risks including the risks arising from COVID-19.

The outbreak of COVID-19 and its continuing impact on the economy casts uncertainty as to the future financial performance and cash flows of the Group. When assessing the ability of the Group to continue as a going concern the Directors have considered the Group's financing arrangements, the pattern of trading since restaurants in England re-opened on 4 July 2020 and future trading risks including further local or nationwide lockdowns.

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 containing both the base case, and a severe stress case in which there is a further national lockdown for three months without further government support than already announced. As well as this lockdown, the scenario reflects cost headwinds from food inflation caused by Brexit, and then a very gradual recovery that assumes weaker macro-economic conditions throughout the remainder of 2021. In summary, the Group has sufficient liquidity, via the debt facilities, to finance operations for at least the next twelve months (in the base case and stress case scenarios), subject to the continued availability of those facilities in the circumstances of a covenant breach as discussed below. Covenant waivers have been obtained for the TRG plc RCF and CLBILS facilities for the periods to June 2020 and December 2020. However, the Group has a requirement to maintain a minimum liquidity of £50m until the end of June 2021 or the next covenant testing date whichever is the later. In the base case scenario total cash facilities are £140m and after taking account of a minimum liquidity requirement of £50m, available cash facilities do not go below £90m. However, in the stress case this would be £27m in April 2021. These forecasts exclude a number of mitigating actions that Management would take including reduced capital expenditure and improved working capital. In this severe but reasonably plausible scenario, the Group will have sufficient liquidity in its existing debt facilities before covenant testing. In the stress case scenario, there would be a breach of TRG plc RCF covenants in June 2021. If the trading patterns indicate that a breach may become likely, then the Directors believe they would work with the lending banks to either waive or amend covenants accordingly.

The Directors have concluded that the potential impact of a further COVID-19 national lockdown, or a significant reduction from forecast sales, and the Group's ability to achieve further covenant relaxations or waiver represents a material uncertainty to the Directors' going concern assessment. However, having assessed the financial projections, sensitivities and possible mitigating actions, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the next twelve months and therefore the Directors continue to adopt the going concern basis in preparing these interim accounts. Accordingly, these interim accounts do not include any adjustments to the carrying amount or classification of assets and liabilities that would result if the Group were unable to continue as a going concern.

Restructuring and exceptional charge

An exceptional pre-tax charge of £172.2m has been recorded in the period (2019: £115.7m), which includes the following:

- A cost of £132.4m relating to the cost of restructuring the business, this is broken down into the following components:
  - A £119.3m write down of fixed assets due to the closure of 147 sites (inclusive of non-trading sites) relating to the Leisure CVA and Concessions sites that will not reopen. This comprises the write down of IFRS 16 right-of-use assets of £104.4m and £14.9m relating to tangible fixed assets
  - A £10.9m provision has been created for business rates on vacant sites for which we remain responsible for the business rates liability
  - £2.2m of other costs, including staff redundancies
  - In the second half of 2020, there will be an exceptional credit of £117.5m relating to the extinguishing of the lease liabilities in the CVA, which was effective on the 29 June 2020 and so is a post-balance sheet event. Had this been reflected in H1, the net write down of fixed assets would have been c.£21m
- An impairment charge of £18.6m has been recognised in the period on trading or sublet sites due to the future expected trading impact of COVID-19 in certain locations
- A charge of £9.7m has been recognised on the disposal of the Chiquito Ltd and Food & Fuel Ltd businesses placed into administration
- A cost of £4.9m has been incurred relating to the shutdown of the business in March. These consist primarily of stock write offs and bad debt provisions
- The balance of £6.5m relates to corporate restructuring costs, US disposal fees and Wagamama integration costs

The tax credit relating to these exceptional charges was £24.5m (2019: £14.8m).

Tax

The Adjusted[1] tax credit for the period was £2.8m (2019: tax expense of £5.9m), summarised as follows:

	2020 £m	2019 £m
Corporation tax	2.0	5.6
Deferred tax	(4.8)	0.3
Total	**(2.8)**	5.9
Effective adjusted[1] tax rate	4.4%	21.1%

1 The Group's adjusted performance metrics such as like-for-like sales and Adjusted EBITDA are defined within the glossary at the end of this report.

The effective tax rate on the adjusted loss (before exceptional items) is 4.4%. Along with the usual permanent differences arising on the investment in capital expenditure not qualifying for tax relief, the low effective tax rate is also largely driven by the change in the substantively enacted tax rate predominantly impacting the deferred tax on the acquisition of Wagamama.

Selected FY20 Financial Guidance items

- 2020 to include a 53rd week with an expected working capital outflow of £15.0m
- Depreciation expected to be c.£41m (on an IAS 17 basis)
- P&L Interest expected to be c.£17m (on an IAS 17 basis)
- Capital expenditure expected to be no more than £35.0m
- Exceptional cash costs of c.£20m primarily relating to restructuring and reopening costs

We remain in a period of unprecedented uncertainty given the ongoing Coronavirus pandemic and its impact on the broader economy with both extensive local and potential national lockdowns. The Group has previously provided guidance to the market as the situation has developed. The Group has now successfully undertaken numerous actions to improve its long-term prospects including a restructure of its estate and cost base. Whilst recent trading since re-opening has been very encouraging, there have also been considerable changes to the market in which the Group operates with inherent uncertainty regarding the duration and nature of any current or additional COVID-19-related restrictions. We therefore consider it prudent to withdraw all previous guidance.

IFRS 16

The Group has adopted IFRS 16 'Leases' in its accounts for the year ended 3 January 2021 and so these Interim Accounts are the first to include the impact of IFRS 16. The Group has decided to adopt the standard as at 30 December 2019 without any restatement of the results for prior periods, which continue to be presented under IAS 17 and which may therefore not be fully comparable.

The impact of IFRS 16 is twofold:

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

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

- a higher level of adjusted EBITDA. EBITDA no longer includes the IAS 17 rent cost and rises by £37.3m in H1;
- a slightly lower adjusted operating loss. The depreciation on the right-of-use asset is broadly comparable to the IAS 17 rent charge;
- a higher level of loss before tax. The combined IFRS 16 charges for depreciation of the right-of-use asset and interest on the lease liability exceed the IAS 17 rent charge by £15.1m. This reflects the relative immaturity of the Group's lease portfolio as, whilst over the life of a lease these costs will equal out, in the early years the combination of a straight line depreciation charge and a higher interest charge leads to a total IFRS 16 charge exceeding the rent payable charge under IAS 17; and
- a higher level of net debt, reflecting the inclusion of a net additional £827.2m of capitalised lease liabilities within net debt.

Note 1 to the financial statements provides further detail on the nature of the transition and its impact on the results for the current period.

Environmental and community initiatives

The Group remains committed to acting as a responsible business and continues to develop new initiatives to progress its environmental and social agenda. Our Frankie and Benny's team continues to work in partnership with 'Magic Breakfast', a charity providing healthy breakfasts to vulnerable children in schools across the UK, and employees have embarked on a range of fundraising initiatives. Wagamama has recently partnered with 'YoungMinds', a charity fighting for children and young people's mental health, and will help develop their peer to peer support campaign. We also continue to improve our environmental credentials and are taking an active role in the Hospitality Zero Carbon Forum, which is working to define and implement a roadmap to net zero emissions for UK Hospitality companies.

Kirk Davis
Chief Financial Officer

Senior Management Risk Committee

The Committee held 1 meeting in the period.

Membership

The Committee's membership comprises the Chief Financial Officer and not less than three other members of the senior management team. It currently includes the Company Secretary, the Group Finance Director, the Chief Information Officer, the Group People Director, the Purchasing Director, the 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.

The Risk Committee is chaired by the Chief Financial Officer and is required to meet at least four times per year. However, in 2020 it is only scheduled to meet twice as the period of extended lockdown meant that risks were discussed in the Weekly Management Meetings conducted throughout lockdown with the key management team in order to respond more rapidly to the emerging risks. 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.

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.

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

Senior Management Risk Committee continued

Principal risk factors

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

Risk	Mitigating factors
COVID-19 (risk of further restrictions) • Risk of extensive local lockdowns or national lockdown due to Government action.	• Operational processes developed and rolled out to react to any COVID-19 infections among team members. • Sites amended to become Covid-safe with additional signage, PPE and enhanced cleaning procedures. • High-level plans in place should a local or national closure be required. • Significant cash facilities available to support during any national lockdown. • Development of our delivery offering to enable the business to trade if eat-in trade is disrupted.
Refinancing of Group debt • Risk of failure to successfully refinance Group debt before expiry in June 2022 which would compromise the financial position of the Group.	• Good relationship with existing syndicate banks. • Outline plan and options for potential refinancing established subject to market conditions.
Allergens • Risk of guests suffering from failure to deliver our allergens policies and procedures, or inaccurate or insufficient information provided to guests concerning allergens.	• Clear Allergen policies and procedures established across all business operations. • Detailed database built up by ingredient/supplier and testing of database including physical verification. • Allergen training refreshed in reopening training and completed by all restaurant employees across all businesses. • Allergy advice on menus with daily updates to source data.
Talent attraction and retention • Failure to attract, retain, or develop Chefs, GMs, and senior managers.	• Development and implementation of a recruitment process to ensure the quality of hiring is improved. • Continued improvement of onboarding and induction process which focuses on the first 90 days of employment to ensure it is robust.
Supply chain management • Risk of loss of key suppliers, jeopardising supply and availability. • Risk that the distribution network is unable to meet the demands of our restaurants.	• Key supplier business continuity plans established. • All essential products are dual sourced. • Regular monitoring of all logistics partners and key suppliers to monitor performance. • Proactive contractor performance management reviews • Supply contracts in place with all key suppliers for a minimum of 24 months. • Regular supplier visits by Group Technical and Buying teams to check operations and procedures. • Random DNA checks carried out on a monthly basis with all processed products checked a minimum of once per year.
Brexit risk to supply chain • Risk of product shortages and/or delays causing loss of revenue, customers and reputation. • Risk of increased duties and taxes leading to cost pressures and a decrease in profitability.	• Contingency plans in place for supply chain and suppliers. • Plans developed with our supply partners to increase stock holdings for key product lines to provide between one to three months contingency where practical. • Dual sourcing of all key products and identification of substitute ingredients on key dishes to manage potential short-term availability issue. • Suppliers have plans in place to protect availability in the short term.
Cybersecurity • Risk of cybersecurity failure or incident leading to data loss, disruption of services, fines and trading or reputational damage.	• Payment Card Industry Data Security Standard (PCI DSS) v3.2 annual compliance certification process. • Introduction of a CyberEssentials and education programme from October 2020. • ASV scans and penetration tests, and remediation.

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
5 October 2020

Kirk Davis
Chief Financial Officer
5 October 2020

Consolidated income statement

	Note	26 weeks ended 28 June 2020			26 weeks ended 30 June 2019*			52 weeks ended 29 December 2019*
		Trading business (unaudited) £'000	Exceptional items Note 3 (unaudited) £'000	Total (unaudited) £'000	Trading business (unaudited) £'000	Exceptional items Note 3 (unaudited) £'000	Total (unaudited) £'000	FY19 Total £'000
Revenue	2	**227,194**	**–**	**227,194**	515,893	–	515,893	1,073,052
Cost of sales		**(248,103)**	**(165,634)**	**(413,737)**	(452,537)	(112,760)	(565,297)	(1,048,460)
Gross (loss)/profit		**(20,909)**	**(165,634)**	**(186,543)**	63,356	(112,760)	(49,404)	24,592
Share of results of associate		**(634)**	**–**	**(634)**	–	–	–	–
Administration costs		**(19,715)**	**(6,535)**	**(26,250)**	(26,900)	(2,964)	(29,864)	(45,325)
Operating (loss)/profit		**(41,258)**	**(172,169)**	**(213,427)**	36,456	(115,724)	(79,268)	(20,733)
Interest payable	4	**(21,490)**	**–**	**(21,490)**	(8,460)	–	(8,460)	(16,660)
Interest receivable		**186**	**–**	**186**	58	–	58	98
(Loss)/profit on ordinary activities before tax		**(62,562)**	**(172,169)**	**(234,731)**	28,054	(115,724)	(87,670)	(37,295)
Tax on (loss)/profit from ordinary activities before tax	5	**2,756**	**24,480**	**27,236**	(5,909)	14,800	8,891	(3,111)
(Loss)/profit for the period		**(59,806)**	**(147,689)**	**(207,495)**	22,145	(100,924)	(78,779)	(40,406)
Other comprehensive income:								
Foreign exchange differences arising on consolidation		**(448)**	**–**	**(448)**	125	–	125	578
Total comprehensive (loss)/ income for the period		**(60,254)**	**(147,689)**	**(207,943)**	22,270	(100,924)	(78,654)	(39,828)
Earnings per share (pence)								
Basic	6	**(11.19)**		**(38.81)**	4.51		(16.05)	(8.23)
Diluted	6	**(11.19)**		**(38.81)**	4.50		(16.05)	(8.23)

* The income statement for the 26 weeks ended 28 June 2020 reflects the adoption of IFRS 16 during the period, but comparatives have not been restated. For a description of the impact, refer to note 1.

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

EBITDA	**18,918**	**(34,248)**	**(15,330)**	61,447	(15,573)	45,874	130,705
Depreciation, amortisation and impairment	**(60,176)**	**(137,921)**	**(198,097)**	(24,991)	(100,151)	(125,142)	(151,438)
Operating (loss)/profit	**(41,258)**	**(172,169)**	**(213,427)**	36,456	(115,724)	(79,268)	(20,733)

Consolidated balance sheet

	Note	At 28 June 2020 unaudited £'000	At 30 June 2019 unaudited £'000	At 29 December 2019 audited £'000
Non-current assets				
Intangible assets	7	**601,732**	617,172	616,787
Right-of-use assets*	8	**575,462**	–	–
Property, plant and equipment	9	**313,533**	334,439	335,710
Net investments in subleases*		**3,950**	–	–
Fair value lease assets*		**–**	1,285	1,211
		1,494,677	952,896	953,708
Current assets				
Inventory		**7,375**	8,491	9,274
Other receivables		**23,982**	20,651	21,924
Net investments in subleases*		**1,287**	–	–
Prepayments		**11,378**	24,798	26,088
Cash and cash equivalents		**132,853**	31,910	49,756
Assets of disposal group held for sale		**–**	–	4,081
		176,875	85,850	111,123
Total assets		**1,671,552**	1,038,746	1,064,831
Current liabilities				
Overdraft		**–**	–	(9,950)
Trade and other payables		**(144,643)**	(177,300)	(188,287)
Corporation tax liabilities		**(4,016)**	(2,129)	(6,210)
Provisions		**(9,570)**	(9,574)	(14,549)
Lease liabilities*	8	**(99,106)**	–	–
Liabilities of disposal group held for sale		**–**	–	(4,081)
		(257,335)	(189,003)	(223,077)
Net current liabilities		**(80,460)**	(103,153)	(111,954)
Long-term borrowings	13	**(441,132)**	(346,111)	(323,822)
Other payables		**(3,043)**	(26,561)	(26,077)
Fair value lease liabilities*		**–**	(10,015)	(9,605)
Deferred tax liabilities		**(9,233)**	(40,286)	(42,007)
Lease liabilities*	8	**(730,729)**	–	–
Provisions		**(5,484)**	(54,308)	(38,344)
		(1,189,621)	(477,281)	(439,855)
Total liabilities		**(1,446,956)**	(666,284)	(662,932)
Net assets		**224,596**	372,462	401,899
Equity				
Share capital	11	**165,880**	138,234	138,234
Share premium		**276,633**	249,686	249,686
Other reserves		**(5,794)**	(7,418)	(5,921)
Retained earnings		**(212,123)**	(8,040)	19,900
Total equity		**224,596**	372,462	401,899

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

Consolidated statement of changes in equity

	Note	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 31 December 2018		138,234	249,686	(7,158)	77,830	458,592
Total comprehensive loss for the period		–	–	–	(78,654)	(78,654)
Dividends		–	–	–	(7,216)	(7,216)
Share-based payments		–	–	(256)	–	(256)
Deferred tax on share-based payments		–	–	(4)	–	(4)
Balance at 30 June 2019		138,234	249,686	(7,418)	(8,040)	372,462
Balance at 31 December 2018		138,234	249,686	(7,158)	77,830	458,592
Total comprehensive income/(loss) for the period		–	–	578	(40,406)	(39,828)
Dividends		–	–	–	(17,524)	(17,524)
Share-based payments		–	–	576	–	576
Deferred tax on share-based payments		–	–	83	–	83
Balance at 29 December 2019		138,234	249,686	(5,921)	19,900	401,899
Balance at 30 December 2019		**138,234**	**249,686**	**(5,921)**	**19,900**	**401,899**
Adjustment for IFRS 16 transition	1	**–**	**–**	**–**	**(24,528)**	**(24,528)**
Total comprehensive loss for the period		**–**	**–**	**(448)**	**(207,495)**	**(207,943)**
Share issue	11	**27,646**	**26,947**	**–**	**–**	**54,593**
Share-based payments		**–**	**–**	**686**	**–**	**686**
Deferred tax on share-based payments		**–**	**–**	**(111)**	**–**	**(111)**
Balance at 28 June 2020		**165,880**	**276,633**	**(5,794)**	**(212,123)**	**224,596**

Consolidated cash flow statement

	Note	26 weeks ended 28 June 2020 unaudited £'000	26 weeks ended 30 June 2019 unaudited £'000	52 weeks ended 29 December 2019 audited £'000
Operating activities				
Cash generated from operations	12	**(33,901)**	52,253	140,501
Interest received		**43**	58	98
Interest paid		**(7,734)**	(7,393)	(14,638)
Corporation tax paid		**(2,839)**	(4,046)	(10,252)
Payment against provisions*		**–**	(6,734)	(12,642)
Payment of acquisition and refinancing costs		**–**	(20,719)	(28,464)
Net cash flows from operating activities		**(44,431)**	13,419	74,603
Investing activities				
Purchase of property, plant and equipment		**(24,176)**	(38,332)	(75,972)
Purchase of intangible assets		**(205)**	–	(2,334)
Proceeds from disposal of property, plant and equipment		**2,500**	–	27,325
Investment in associate		**(634)**	–	–
Net cash flows from investing activities		**(22,515)**	(38,332)	(50,981)
Financing activities				
Net proceeds from issue of ordinary share capital		**54,593**	–	–
Repayment of obligations under leases*		**(11,225)**	–	–
Repayments of overdraft		**(9,950)**	–	–
Repayments of borrowings		**–**	(9,000)	(32,000)
Drawdown of borrowings		**116,611**	–	–
Drawdown of overdraft		**–**	–	9,950
Dividends paid to shareholders		**–**	–	(17,524)
Decrease in obligations under finance leases		**–**	(82)	(170)
Net cash flows arising from/(used in) financing activities		**150,029**	(9,082)	(39,744)
Net increase/(decrease) in cash and cash equivalents		**83,083**	(33,995)	(16,122)
Cash and cash equivalents at beginning of the period		**49,756**	65,903	65,903
Foreign exchange movement in cash		**14**	2	(25)
Cash and cash equivalents at the end of the period		**132,853**	31,910	49,756

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

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 29 December 2019 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 directors have adopted the going concern basis in preparing these accounts after assessing the Group's principal risks including the risks arising from COVID-19.

The outbreak of COVID-19, and its continuing impact on the economy, casts uncertainty as to the future financial performance and cash flows of the Group. When assessing the ability of the Group to continue as a going concern, the Directors have considered the Group's financing arrangements, the pattern of trading since eat-in trading resumed on 4 July 2020 and future trading risks, including further local or nationwide lockdowns. Management has taken significant actions, as outlined in the Business Review, to create a COVID-safe restaurant experience to protect both our colleagues and customers.

The Group had committed facilities of £455.0m at 29 December 2019 consisting of a £225.0m high-yield bond (expiring July 2022) and £230.0m of RCF facilities (TRG plc £210.0m and Wagamama Super Senior £20.0m) expiring Dec 2021. By the end of the first half of 2020 the Group raised additional financing in the form of:

- An equity placing, which raised gross proceeds of £54.6 million;
- A £15.0 million increase in the Wagamama RCF available; and
- An agreed waiver on the June 2020 RCF covenants alongside the establishment of a £50.0m minimum liquidity requirement which reduces headroom.

In addition, on 10 July 2020, the Group completed further amendments to its debt facilities:

- Accessed £50.0m from the government Coronavirus Large Business Loan Interruption Scheme (CLBILS) with Lloyds Banking Group, with a maturity of 30 June 2022
- Extended the existing TRG plc RCF term by 6 months to 30 June 2022, agreed a covenant waiver for December 2020 and the facilities were reduced by £40.0m.

In undertaking a going concern review, the Directors have considered two main scenarios prepared by management:

Base case forecast
Management have prepared the Group's base case forecast, which is based on current trading trends and takes into account the recent government further assistance schemes on VAT reduction and deferral. It also assumes steady improvement in trading across all four business units, with Pubs recovering the quickest, and the Concessions business remaining below prior trade levels.

In the base case forecast, the Group has sufficient cash with over £90.0m of available cash facilities and passes all banking covenants throughout the period under review. The key judgement in this forecast is the level of sales throughout the period, and specifically over the next nine months to June 2021 which is the covenant test date in the next 12 months.

1 Accounting policies continued

Stress case scenario
Management have also prepared a stress case, which reflects a severe but plausible scenario and assumes a further national lockdown in Q1 2021 for three months, with no additional government support over that already announced. As well as this lockdown, the scenario reflects cost headwinds from food inflation caused by Brexit, and then a very gradual recovery that assumes weaker macro-economic conditions throughout the remainder of 2021.

In this scenario, the Group has positive cash with over £27m of available cash facilities but predicts the business will breach its covenants on the TRG plc RCF from June. Cross defaults between facilities are also possible depending on the circumstances at the time. To date, the banking group has been supportive of the Group and has granted extensions to the TRG plc banking facilities, and waivers of the June 2020 and December 2020 covenants during lockdown. The Directors therefore have a reasonable expectation that such banking support will continue but it is not guaranteed that this would be the case going forward.

Conclusion
The Directors have concluded that in both scenarios, the Group has sufficient debt facilities to finance operations for at least the next 12 months, subject to the continued availability of those facilities in the circumstances of a covenant breach.

The Directors have concluded that the potential impact of a further COVID-19 national lockdown, or a significant reduction from forecast sales, and the Group's ability to achieve further covenant relaxations or waiver represents a material uncertainty that casts significant doubt upon the group's ability to continue as a going concern. However, having assessed the financial forecasts, sensitivities and possible mitigating actions, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the next twelve months and therefore the Directors continue to adopt the going concern basis in preparing these interim accounts. The interim financial statements do not include any adjustments that would result if the Group were unable to continue as a going concern.

Changes in accounting policies
With the exception of introducing a policy on government grants and the implementation of IFRS 16 'Leases', 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.

Government grants
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.

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

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

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). Variable lease payments that do not depend on an index or a rate are excluded from the lease liability measurement and recognised as expenses in the period in which the event or condition that triggers the payment occurs. Liabilities are subsequently adjusted for deemed interest charges and payments. Lease liabilities may be recalculated in some situations as stipulated by IFRS 16, including where the terms of a lease are modified. 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.

1 Accounting policies continued

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

The Group operates a number of freehold sites but its estate is predominantly leasehold and the implementation of IFRS 16 has therefore led to a substantial change in balance sheet outcomes, with material new assets and liabilities being recorded to reflect rental agreements that were previously not recorded in the Group's consolidated balance sheet. Around 650 contracts were identified as leases affected by IFRS 16 on transition. Of these, around 45 are subleased to tenants.

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

Impact upon the Group's results and position

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

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

1 Accounting policies continued

Transition from IAS 17 to IFRS 16

IFRS 16 provides a choice of two transition approaches, which are often termed ‘full retrospective’ and ‘modified retrospective’. The Group has chosen to apply the modified retrospective approach, with the effect that the Group’s lease portfolio has been assessed and accounted for on transition under IFRS 16 but with the application of some practical expedients and without any restatement of comparative results, disclosures or balances.

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

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

The majority of right-of-use assets have been measured initially to match their corresponding liability. For a small number, the Group has calculated a value based on historical lease activity. As a result of this and transition-dated prepayments and accruals, the initial asset and initial liability are not equal on 30 December 2019 and the difference is presented as an adjustment to equity as required by IFRS 16.

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

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

1 Accounting policies continued

Financial position at 30 December 2019

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

	29 December 2019 As reported £'000	IFRS 16 £'000	30 December 2019 £'000
Non-current assets			
Intangible assets	616,787	–	**616,787**
Property, plant & equipment	335,710	(1,932)	**333,778**
Right-of-use assets	–	819,499	**819,499**
Net invested in subleases	–	9,344	**9,344**
Fair value lease assets	1,211	(1,211)	**–**
	953,708	825,700	**1,779,408**
Current assets			
Inventory	9,274	–	**9,274**
Other receivables	21,924	–	**21,924**
Net investments in subleases	–	1,359	**1,359**
Prepayments	26,088	(10,037)	**16,051**
Cash and cash equivalents	49,756	–	**49,756**
Assets of disposal group held for sale	4,081	–	**4,081**
	111,123	(8,678)	**102,445**
Total assets	1,064,831	817,022	**1,881,853**
Current liabilities			
Overdraft	(9,950)	-	**(9,950)**
Trade and other payables	(188,287)	30,910	**(157,377)**
Corporation tax liabilities	(6,210)	-	**(6,210)**
Provisions	(14,549)	11,319	**(3,230)**
Lease liabilities	-	(128,598)	**(128,598)**
Liabilities of disposal group held for sale	(4,081)	-	**(4,081)**
	(223,077)	(86,369)	**(309,446)**
Non-current liabilities			
Long-term borrowings	(323,822)	-	**(323,822)**
Other payables	(26,077)	-	**(26,077)**
Fair value lease liabilities	(9,605)	9,605	**-**
Deferred tax liabilities	(42,007)	5,002	**(37,005)**
Lease liabilities	-	(804,849)	**(804,849)**
Provisions	(38,344)	35,061	**(3,283)**
	(439,855)	(755,181)	**(1,195,036)**
Total liabilities	(662,932)	(841,550)	**(1,504,482)**
Net assets/equity	401,899	(24,528)	**377,371**

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

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

1 Accounting policies continued

Balances that have been adjusted on transition are as follows:

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

Impact on financial performance in the interim period

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.

	H1 2020 Trading IAS 17 £'000	Adjustments for IFRS 16 £'000	H1 2020 Trading IFRS 16 £'000	Exceptional items £'000	H1 2020 Total IFRS 16 £'000
Revenue	227,194	–	227,194	–	227,194
Cost of sales	(245,843)	(2,260)	(248,103)	(165,634)	(413,737)
Gross loss	(18,649)	(2,260)	(20,909)	(165,634)	(186,543)
Share of result of associate	(634)	–	(634)	–	(634)
Administration costs	(19,613)	(102)	(19,715)	(6,535)	(26,250)
Operating loss	(38,896)	(2,362)	(41,258)	(172,169)	(213,427)
Interest payable	(8,626)	(12,864)	(21,490)	–	(21,490)
Interest receivable	43	143	186	–	186
Loss before tax	(47,479)	(15,083)	(62,562)	(172,169)	(234,731)
EBITDA	(18,336)	37,254	18,918	(34,248)	(15,330)
Depreciation, amortisation and impairment	(20,560)	(39,616)	(60,176)	(137,921)	(198,097)
Operating loss	(38,896)	(2,362)	(41,258)	(172,169)	(213,427)

An explanation of the amounts in the 'Exceptional items' column is provided in note 3.

1 Accounting policies continued

The 'Adjustments for IFRS 16' summarised above can be seen in the below reconciliation of trading profit before tax (excluding exceptional items) from the IAS 17 basis to the IFRS 16 basis of accounting:

	£'000
Trading loss before tax under IAS 17	**(47,479)**
Removal of rent expenses under IAS 17	37,254
Net change in depreciation	(39,616)
Interest charged on lease liabilities	(12,864)
Interest receivable on net investments in subleases	143
Trading profit before tax under IFRS 16	**(62,562)**

2 Segmental analysis

Operating Segments

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 trades in two reportable segments, defined as the 'Growth Business' and the 'Leisure Business'. The different brands within each reporting segment all meet the aggregation criteria set out in Paragraph 12 of IFRS 8.

	26 weeks ended 28 June 2020			26 weeks ended 30 June 2019			52 weeks ended 29 December 2019		
	Growth Business £'000	**Leisure Business £'000**	**Group £'000**	Growth Business £'000	Leisure Business £'000	Group £'000	Growth Business £'000	Leisure Business £'000	Group £'000
Sales	**148,288**	**78,906**	**227,194**	322,429	193,464	515,893	689,846	383,206	1,073,052
Outlet EBITDA	**31,807**	**(749)**	**31,058**	54,055	21,436	75,491	142,908	45,085	187,993
Central allocations			**(12,140)**			(14,044)			(51,250)
Adjusted EBITDA			**18,918**			61,447			136,743
Exceptional items before tax			**(172,169)**			(115,724)			(111,826)
Depreciation and amortisation			**(60,176)**			(24,991)			(45,650)
Net finance charges			**(21,304)**			(8,402)			(16,562)
Tax on (loss)/profit on ordinary activities before tax			**27,236**			8,891			(3,111)
Net loss			**(207,495)**			(78,779)			(40,406)

Geographical Segments

The Group trades primarily within the United Kingdom. The Group previously operated restaurants in the United States (now owned by an associate of the Group) and generates revenue from franchise royalties primarily in Europe and the Middle East. The segmentation between geographical location does not meet the quantitative thresholds and so has not been disclosed. All segment revenues are from external customers.

3 Exceptional items

	26 weeks ended 28 June 2020 (unaudited) £'000	26 weeks ended 30 June 2019 (unaudited) £'000	52 weeks ended 29 December 2019 (audited) £'000
Included within cost of sales:			
– Impairment charges relating to trading sites	**18,613**	100,151	105,788
– Estate restructuring	**132,447**	1,907	2,632
– Estate closure	**4,882**	–	–
– Disposal of assets in administration	**9,692**	–	–
– Onerous lease provisions	**–**	10,702	7,455
– Loss on assets held for sale	**–**	–	2,019
	165,634	112,760	117,894
Included within administration costs:			
– Integration costs	**3,281**	2,964	11,180
– Professional fees	**2,198**	–	–
– Disposal of US operation	**1,056**	–	–
– Profit from sale of property, plant and equipment	**–**	–	(17,248)
Exceptional items before tax	**172,169**	115,724	111,826
Tax effect of exceptional Items	**(24,480)**	(14,800)	(13,149)
Net exceptional items for the period	**147,689**	100,924	98,677

Impairment charges relating to trading sites

An impairment charge has been recorded against certain assets to reflect forecast results at a number of our trading sites.

This charge comprises the below adjustments:

- An impairment of right-of-use assets of £11.2m (note 10)
- An impairment of property, plant and equipment of £2.3m (note 10)
- Expected credit losses of £5.1m in net investment assets relating to sublet properties, to reflect changes in estimated recoverability of amounts receivable from tenants

Further details on the impairment of non-current assets are given in note 10.

3 Exceptional items continued

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

- £104.4m of right-of-use assets have been written off on sites that are permanently closed
- £14.9m of property, plant and equipment has been written off in those same closed sites
- A provision of £10.9m has been made for future business rates obligations in sites that are permanently closed but for which the Group retains a liability to future costs
- Other items include staff restructuring costs and gains as a result of lease restructuring in a small number of sites

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

This charge does not include the impact of the conclusion of the Company Voluntary Agreement following the interim period. As described in note 14, changes to lease liabilities will result in a £117.5m exceptional credit during 2020.

Estate closure
As noted in the Business Review and elsewhere in this report, the Group has faced significant disruption during the period. All of our restaurants and pubs were closed to the public for a period of time.

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

- Site closure and inventory abandonment costs of £2.3m
- Provisions for unrecoverable debts of £1.1m resulting from business disruption

Disposal of assets in administration
The Group has disposed of two UK subsidiaries through the administration process, with no anticipated proceeds. Losses on disposal, including professional fees, have been presented as an exceptional item. These include:

- A £14.5m charge relating to the disposal of goodwill relating to Food & Fuel Limited
- A £11.4m charge relating to the disposal of property, plant and equipment
- An £18.9m gain relating to the disposal of £82.2m of lease liabilities and £63.3m of right-of-use assets
- £2.7m of costs relating to professional fees and working capital balances

Integration costs
Further costs were incurred in relation to the integration of Wagamama.

Professional fees
During the period, the Group incurred material one-off costs relating to corporate financing and restructuring activity. Since these costs are material, irregular and unrelated to underlying or ongoing trading, they are presented as exceptional items. The key items related to aborted debt and equity issues (£1.8m) an attempted sale process for a number of sites.

Disposal of US operation
In January 2020, the Group sold a majority stake in its US operations to a third party and now accounts for these operations as an associate.

4 Interest payable

	26 weeks ended 28 June 2020 (unaudited) £'000	26 weeks ended 30 June 2019 (unaudited) £'000	52 weeks ended 29 December 2019 (audited) £'000
Bank interest payable	7,673	7,424	14,413
Other interest payable	183	249	654
Amortisation of facility fees	699	712	1,423
Finance charges on lease liabilities	12,935	75	170
Total finance costs in period	21,490	8,460	16,660

5 Tax

The tax charge has been calculated by reference to the expected effective current and deferred tax rates for the financial year ended 3 January 2021 applied against the trading profit before tax for the period ended 28 June 2020.

The effective tax rate on the adjusted profit (before exceptional items) is estimated to be 4.4%. Along with the usual permanent differences arising on the investment in capital expenditure not qualifying for tax relief, the low effective tax rate is also largely driven by the change in the substantively enacted tax rate predominantly impacting the deferred tax on the acquisition of Wagamama. The effect of this is a tax charge to the income statement of 8.35% of the total loss before tax for the period.

A change to the main rate of corporation tax was substantively enacted on 17 March 2020. The reduction to the main rate of corporation tax introduced in the Finance Act 2016 from 19% to 17%, which was due to commence from April 2020, was repealed. The rate applicable from 1 April 2020 remains at 19%.

Notes to the condensed financial statements continued

6 Earnings per share

	26 weeks ended 28 June 2020 (unaudited)	26 weeks ended 30 June 2019 (unaudited)	52 weeks ended 29 December 2019 (audited)
a) Basic earnings per share:			
Weighted average ordinary shares for the purposes of basic earnings per share	**534,652,991**	490,807,953	490,904,049
Loss for the period (£'000)	**(207,495)**	(78,779)	(40,406)
Basic earnings per share for the period (pence)	**(38.81)**	(16.05)	(8.23)
Loss for the period (£'000)	**(207,495)**	(78,779)	(40,406)
Effect of exceptional items on earnings for the period (£'000)	**147,689**	100,924	98,677
Earnings excluding exceptional items (£'000)	**(59,806)**	22,145	58,271
Adjusted earnings per share (pence)	**(11.19)**	4.51	11.87
b) Diluted earnings per share:			
Weighted average ordinary shares for the purposes of basic earnings per share	**534,652,991**	490,807,953	490,904,049
Effect of dilutive potential ordinary shares:			
Dilutive shares to be issued in respect of options granted under the share option schemes	**–**	329,361	505,478
	534,652,991	491,137,314	491,409,527
Diluted earnings per share (pence)	**(38.81)**	(16.05)	(8.23)
Adjusted diluted earnings per share (pence)*	**(11.19)**	4.50	11.86

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

7 Intangible assets

	£'000
Net book value at 29 December 2019	**616,787**
Additions to software assets	**205**
Disposal of goodwill relating to Food & Fuel Limited	**(14,526)**
Amortisation of software assets	**(734)**
Net book value at 28 June 2020	**601,732**

8 Right-of-use assets and lease liabilities

Movements in right-of-use assets during the period are shown below:

	£'000
Right-of-use assets at 30 December 2019	819,499
Additions	3,055
Disposals	(90,308)
Depreciation	(44,952)
Remeasurements	3,719
Impairment of assets in closed sites (note 10)	(104,389)
Impairment of assets in trading sites (note 10)	(11,162)
Right-of-use assets at 28 June 2020	**575,462**

Movements in lease liabilities during the period are shown below:

	£'000
Lease liabilities at 30 December 2019	933,447
Additions	3,055
Finance charges	12,864
Cash payments made	(11,225)
Liabilities extinguished on disposals	(112,025)
Remeasurements	3,719
Lease liabilities at 28 June 2020	**829,835**

Within the lease liabilities at 28 June 2020, £99.1m are presented as current.

Following the period, a Company Voluntary Arrangement relating to the Restaurant Group (UK) Limited was concluded, as described in note 14. Since the date of agreement was 29 June, the impact of that restructuring is not reflected in the above tables. This will lead to an estimated £117.5m exceptional credit in the second half of 2020.

Within the depreciation of right-of-use assets above, £5.2m was capitalised into property, plant and equipment in respect of assets not yet ready for use in their intended purpose.

9 Property, plant and equipment

	£'000
Net book value	
At 29 December 2019	335,710
Adjustment on transition to IFRS 16	(1,932)
At 30 December 2019	**333,778**
Additions	30,834
Disposals	(14,167)
Depreciation	(19,690)
Impairment of assets in closed sites (note 10)	(14,918)
Impairment of assets in trading sites (note 10)	(2,309)
Foreign exchange differences	5
Net book value at 28 June 2020	**313,533**

10 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-current assets for impairment in accordance with IAS 36.

Approach and assumptions

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

At June 2020, we have applied the same discount rate of 9.4% to all assets (2019: 10.3%), since in the opinion of the Directors all assets are currently subject to a comparable risk profile. The lower discount rate used in 2020 reflects the effect of lease liabilities recognised following the transition to IFRS 16.

For the current period, value in use estimates have been prepared on the basis of the 'base case' forecast described above in Note 1 under the heading 'Going concern basis'. The most significant assumptions and estimates used in our impairment reviews are those contained within the base case forecast. Of these, the assumptions with the most significant impact on forecast site-by-site cash flows are those relating to revenue recovery and trends, where it is assumed that our businesses maintain a steady recovery in revenues over the current and following two financial years with the Pubs being quickest to recover and Concessions being the slowest. After 2022, the profitability is assumed to increase by 2% per annum.

Results of impairment review

Impairment has been recorded in a number of specific CGUs, reflecting weaker trading in certain areas following the COVID pandemic. A charge of £2.3m was recorded against Property, Plant & Equipment ('PPE') and a further £11.2m against right-of-use assets.

In addition, impairment of assets in closed sites amounted to £14.9m of PPE and a further £104.4m of right-of-use assets.

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

Sensitivity to further impairment charges

A sensitivity analysis has been conducted to identify the impact upon impairment of reasonably possible changes to key assumptions within the impairment review. Since the key assumption underlying the review is the forecast of future revenues, we have considered the potential impact upon impairment of two scenarios that incorporate alternative trading forecasts. These alternative forecasts take into account the potential for an extended recession and for a weaker recovery in our Concessions business and differ from the base case as below:

- A mild downside ('scenario 1') includes a reduction in revenues of 5% for Wagamama, Pubs and Leisure sites and a 10% reduction in Concession revenues.
- A severe downside ('scenario 2') includes a reduction in revenues of 10% for Wagamama, Pubs and Leisure sites and a 20% reduction in Concessions revenues.

Had the scenarios above been used as the basis for impairment reviews in the current period, scenario 1 would have prompted an incremental £19.2m impairment charge and scenario 2 an incremental £63.2m charge in site-level PPE and right-of-use assets. Scenario 1 would result in no impairment of intangible assets, although scenario 2 would lead to an impairment of the goodwill attaching to Ribble Valley Inns of £0.3m.

Analysis has also been carried out of sensitivity to changes in the discount rate used in the review, showing that an increase in the discount rate from 9.4% to 10.9% would result in a further impairment charge of £7.5m in right-of-use assets and PPE. No impairment would be recorded in intangible assets, however.

11 Share capital

Share capital at 28 June 2020 amounted to £165.9m (2019: £138.2m). The number of shares authorised, used and fully paid was 589,795,475 (2019: 491,496,230). The shares have a par value of 28.125p (2019: 28.125p).

On 16 April 2020, the Company issued 98,299,245 shares for an offer price of 58.0p, generating gross proceeds of £57.0m. Expenses of £2.4m were incurred and have been offset in the share premium account leaving net proceeds of £54.6m.

12 Reconciliation of profit before tax to cash generated from operations

	26 weeks ended 28 June 2020 (unaudited) £'000	26 weeks ended 30 June 2019 (unaudited) £'000	52 weeks ended 29 December 2019 (audited) £'000
Loss before tax	**(234,731)**	(87,670)	(37,295)
Net interest charges	**21,304**	8,402	16,562
Impairment and write-offs of non-current assets	**132,779**	102,058	105,788
Expected credit losses	**5,142**	–	–
Onerous lease and property provisions	**10,897**	10,702	7,455
Disposal of assets in administration	**9,692**	–	–
Acquisition and integration costs	**–**	2,964	11,180
Other non-cash charges	**344**	–	(11)
Loss on assets held for sale	**–**	–	2,019
Refinancing costs	**54**	–	–
Share-based payments	**686**	(256)	–
Share of loss of associate	**634**	–	–
Depreciation and amortisation	**60,176**	24,991	45,650
Loss on disposal of property, plant and equipment	**350**	189	(15,388)
Mark to market adjustment on acquired operating leases	**–**	(335)	–
Decrease/(increase) in inventory	**1,899**	187	(596)
Decrease/(increase) in receivables	**(38)**	8,559	(261)
(Decrease)/increase in creditors	**(43,089)**	(17,538)	5,398
Cash generated from operations	**(33,901)**	52,253	140,501

Of the cash and cash equivalents at 28 June 2020, £50m is maintained in support of minimum liquidity requirements under borrowing covenants.

Notes to the condensed financial statements continued

13 Long-term borrowings

	At 28 June 2020 unaudited		At 30 June 2019 unaudited		At 29 Dec 2019 audited	
	Drawn £'000	Total facility £'000	Drawn £'000	Total facility £'000	Drawn £'000	Total facility £'000
High yield bond	**225,000**	**225,000**	225,000	225,000	225,000	225,000
Revolving credit facilities	**218,611**	**245,000**	125,000	220,000	102,000	230,000
Total banking facilities	**443,611**	**470,000**	350,000	445,000	327,000	445,000
Unamortised loan fees	**(2,479)**		(3,889)		(3,178)	
Long-term borrowings	**441,132**		346,111		323,822	

The High yield bond matures in July 2022 and £35.0m of the revolving credit facilities mature in December 2021. As at 28 June 2020, the remaining £210.0m of revolving credit facilities expired in December 2021, but these have been extended and amended as described in Note 14.

14 Events occurring after the reporting period

Company Voluntary Arrangement ('CVA')

On 29 June 2020, The Restaurant Group (UK) Limited which is an indirect subsidiary of The Restaurant Group plc, completed the Company Voluntary Arrangement (CVA) proposed on 10 June. This entity comprises the majority of the Leisure estate, and covers Frankie & Benny's, Chiquito, and the smaller brands. As part of the CVA, the rent arrears on 237 sites were compromised and will not be payable which is worth £6.2m. This credit will be shown in the 2020 Full Year accounts as the liability was released after the interim period. In addition, the liabilities on 147 of these sites were compromised for the remainder of the lease term. The CVA also moved 90 sites on to a turnover based rental. The effect of the above lease changes will be a c£170m reduction in lease liabilities, of which £117.5m is expected to be credited to the income statement as an exceptional item.

Changes to debt structure

On 10 July 2020, the Group completed further amendments to its debt facilities:

- accessed £50m from the government Coronavirus Large Business Interruption Loan Scheme (CLBILS) with Lloyds Banking Group, with a maturity of 30 June 2022
- extended the existing TRG plc RCF term by 6 months to 30 June 2022, agreed a covenant waiver for December 2020, and the facilities were reduced by £40m.

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 28 June 2020 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.

Emphasis of matter – Material uncertainty related to going concern

We draw attention to note 1 in the financial statements, which discloses the potential impact of a further COVID-19 national lockdown, or a significant negative reduction from forecast sales, and the Group's ability to achieve further covenant relaxations or waivers at June 2021. As stated in note 1, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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 28 June 2020 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
5 October 2020

Glossary

Adjusted diluted EPS	Calculated by taking the profit after tax of the business pre-exceptional items divided by the weighted average number of shares in issue during the year, including the effect of dilutive potential ordinary shares.
Adjusted EBITDA	Earnings before interest, tax, depreciation, amortisation and exceptional items. Calculated by taking the Trading business operating profit and adding back depreciation and amortisation.
Adjusted EPS	Calculated by taking the profit after tax of the business pre-exceptional items divided by the weighted average number of shares in issue during the period.
Adjusted operating profit	Earnings before interest, tax and exceptional items.
Adjusted profit before tax	Calculated by taking the profit before tax of the business pre-exceptional items.
Adjusted tax	Calculated by taking the tax of the business pre-exceptional items.
EBITDA	Earnings before interest, tax, depreciation, amortisation and impairment. Please refer to note 1 for an understanding of how this metric has been affected by the implementation of IFRS 16.
Exceptional items	Those items that, by virtue of their unusual nature or size, warrant separate additional disclosure in the financial statements in order to fully understand the performance of the Group.
Free cash flow	EBITDA less working capital and non-cash movements (excluding exceptional items), tax payments, interest payments and maintenance capital expenditure.
IAS 17	Where measures are described as being prepared on an 'IAS 17' basis, this means that they reflect the framework of accounting that applied in 2019 prior to the transition to IFRS 16 in 2020. This is considered to be useful in order to explain business performance during the transition to IFRS 16, since the results for previous periods are not restated and comparability may otherwise be hampered.
Like-for-like sales	This measure provides an indicator of the underlying performance of our existing restaurants. There is no accounting standard or consistent definition of 'like-for-like sales' across the industry. Group like-for-like sales are calculated by comparing the performance of all mature sites in the current period versus the comparable period in the prior year. Sites that are closed, disposed or disrupted during a financial year are excluded from the like-for-like sales calculation.
Outlet EBITDA	EBITDA directly attributable to individual sites and therefore excluding corporate and central costs.
Net debt	Net debt is calculated as the long-term borrowings and finance lease obligations less cash and cash equivalents. Where this is described as being on an 'IAS 17' basis, it excludes the value of lease liabilities resulting from the recognition of IFRS 16.
Trading business	Represents the performance of the business before exceptional items and is considered as a key metric for shareholders to evaluate and compare the performance of the business from period to period.
TSR	Total Shareholder Return over a period.

Shareholder information

Directors
Debbie Hewitt
Non-executive Chairman

Andy Hornby
Chief Executive Officer

Kirk Davis
Chief Financial Officer

Allan Leighton
Senior independent non-executive Director

Graham Clemett
Independent non-executive Director

Alison Digges (from 1 January 2020)
Independent non-executive Director

Zoe Morgan (from 1 January 2020)
Independent non-executive Director

Company Secretary
Jean-Paul Rabin

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