The Restaurant Group plc

Interim Report 2021

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

Contents

Restructured and recapitalised Group outperforming the market

Operational highlights

- Strong like-for-like (LFL) sales outperformance versus the market since indoor dining recommenced:

LFL sales (%) vs 2019 comparable for the 15 weeks from 17 May to 29 August 2021

TRG Division	TRG LFL sales	Market[1] LFL sales	Outperformance vs market[1]
Wagamama	+21%	+8%	+13%
Pubs	+12%	(2)%	+14%
Leisure	+18%	+8%	+10%
Concessions[2]	(53)%	(74)%	+21%

- Trading performance since re-opening supports an increase in our FY21 EBITDA expectations
- LFL sales supported by VAT reduction
- Ongoing sector wide challenges to navigate through FY22, including labour availability and increased inflationary cost pressures
- Progressing well on targeted organic growth avenues
- Strengthened ESG Strategy established with clear targets
- Lower net debt and substantial liquidity

Financial summary

(for the 27 weeks ended 4 July 2021)

- Total sales of £216.8m in the first half (2020: £227.2m)
- Adjusted EBITDA profit of £11.2m on an IAS 17 basis, despite the impact of significant trading restrictions in the period (2020: Adjusted EBITDA Loss of £18.3m). Reported EBITDA profit of £19.9m on an IFRS 16 basis (2020: Loss of £15.3m)
- Statutory loss before tax of £58.8m on an IFRS 16 basis (2020: loss of £234.7m)
- H1 Net debt of £200.3m on an IAS 17 basis (2020: £308.3m) with substantial liquidity (in excess of £235.0m of cash headroom[3]). IFRS 16 net debt was £635.0m (2020: £1,138.1m)

1 Market refers to Coffer Peach tracker for restaurants (Wagamama and Leisure benchmark) and Coffer Peach tracker for pub restaurants (TRG Pubs benchmark). Coffer peach LFL sales represent the weighted average of weekly LFL sales reported (internal calculation).
2 UK air passenger growth used as market benchmark for Concessions.
3 Current facilities subject to minimum liquidity covenant of £40m.

"We have made good progress in the past six months, securing the refinancing and recapitalisation of the Group in the first quarter before focusing our attention on the re-opening of the business and welcoming back dine-in customers as government restrictions eased.

I am particularly proud of the way that our teams have pulled together to support one another, ensuring a great experience for our customers and delivering a strong LFL sales outperformance versus the market.

Whilst there are some well documented sector challenges to navigate in the short-term, particularly around labour availability and supply chain, we believe the Group is well positioned for the long-term."

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

151*

Sites

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

* This relates to UK full-service restaurants as well as seven delivery kitchens. Trading estate as at 14 September 2021.

Brunning & Price LIMITED

78*

Sites

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

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

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

* Trading estate as at 14 September 2021.

Frankie & Benny's

96*

Sites

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

* Trading estate as at 14 September 2021.

trg concessions

42* Sites

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

* Trading estate as at 14 September 2021.

CHIQUITO RESTAURANT BAR & MEXICAN GRILL

22* Sites

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

* Trading estate as at 14 September 2021.

FIREJACKS MEAT | FIRE | FRIENDS

3* Sites

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

* Trading estate as at 14 September 2021.

COAST TO COAST AMERICAN RESTAURANT & BAR

1* Site

FILLING STATION

3* Sites

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

* Trading estate as at 14 September 2021.

Business review

Introduction

The first half of the financial year continued to be severely disrupted by restrictions imposed on the hospitality sector. This included being only able to trade for delivery and takeaway during the first 15 weeks, followed by five weeks of “outdoor dining” and finally the resumption of “indoor dining” from 17 May. The focus during the first quarter was on securing the refinancing and recapitalisation of the Group, with the attention then shifting to a rapid and profitable re-opening of the business in the second quarter.

In March, we agreed new long-term debt facilities providing the Group with more financial flexibility over the next four to five years and we received excellent support from our shareholders in raising net proceeds of £166.8 million of new capital.

This stronger long-term capital structure provides us with the ability to make targeted investments in our existing estate whilst opening new restaurants and pubs over the years ahead, generating good sustainable returns for shareholders.

Since re-opening, our trading performance has been very strong, which supports an increase in our FY21 EBITDA expectations and I am particularly proud of the way that teams have pulled together to support one another through another incredibly tough period. However, there are some well documented sector challenges to navigate in the short-term, particularly around the normalisation of VAT, labour availability and increased inflationary cost pressures.

We outline updates on four key below:

1. Trading performance since the recommencement of dine-in
2. Evolving market dynamics
3. Progress on targeted organic growth avenues
4. Our strengthened ESG strategy

1. Trading performance since the recommencement of dine-in (LFL sales % vs 2019 comparable for the 15 weeks from 17 May to 29 August 2021)

Wagamama

Since re-opening for dine-in, we have seen consistently strong trading, with LFL sales growth of 21%, representing a 13% outperformance versus the market.

The key customer initiatives driving the performance have been:

- **Veganuary:** At the beginning of the year in support of veganuary, we made a brand commitment to have a 50% plant-based menu by the end of 2021, giving our guests more vegan and vegetarian options, including the launch of the ‘Sticky Vegan Ribs’ which has had the best feedback of any vegan dish on the menu.
- **Summer menu launch:** We successfully launched some new “lighter options” dishes during the summer including three new hiyashi bowls and two harusame salads. The menu has been received positively with our harusame salads having sold better than any previous salad range on the menu.
- **Delivery and takeaway:** Given trading restrictions through H1 we have seen an acceleration of the structural shift of both new and existing customers enjoying delivery and takeaway. LFL delivery sales were up 146% and LFL takeaway sales up 90% in the last eight weeks (period ending 29 August).

Pubs

We have seen continued strong trading, with LFL sales growth of 12%, representing outperformance versus the market.

The key operational initiatives driving the performance have been:

- **Investment in external trading solutions:** Development of more than 30 covered outside areas using stretch tents and marquees to facilitate external dining all year round.
- **Crew recruitment and retention:** Introducing more flexible contracted hours, a 4-day working week and clear development paths through the business to provide a better work / life balance and help to attract more talent into the business.
- **Introduction of a new online booking system:** Maximises the utilisation of covers within the pub up to the point of arrival.

We are also looking at targeted investments in the existing estate to increase turnover and build on our current accommodation facilities with four bedrooms being added to our “Haighton Manor” pub and plans under review for further investment in accommodation at three other pubs.

Leisure

The business has delivered a very encouraging trading performance, achieving LFL sales growth of +18% outperforming the market by 10%.

The key customer initiatives driving the performance have been:

- **Investment in food quality:** Our focus has been on improving food quality with new menus launched across all of our brands in May. Customer feedback has been very positive, in particular the new and improved dishes added to the Frankie & Benny's menu have been very well received.
- **Improved customer insight tools:** Our partnership with Yumpingo has provided greater customer insight on both customer service standards and dish feedback. This allows us to target further improvements on future menu launches in the autumn.
- **Delivery and takeaway:** Delivery and takeaway performance has been very strong with delivery & takeout sales accounting for 16% of sales compared to only 4% in 2019 (for the eight week period ending 29 August). Our virtual brands continue to grow and now account for c.50% of off-trade sales.

Concessions

The international travel sector remains incredibly challenging due to ongoing changes in Government restrictions and the associated cost of PCR testing.

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

We currently have 21 sites open with LFL sales declining by 53%, 21% ahead of the passenger volume decline. Sales have benefited from a higher average spend per passenger (due to longer dwell times) and reduced competition as other food and beverage operators manage their re-opening profile.

We are only planning on a gradual improvement in airport passenger volumes through 2022 and 2023 and are managing our re-opening profile accordingly.

2. Evolving market dynamics

The restructuring undertaken by TRG, primarily in our Leisure division (with over a 60% reduction in sites) positions the Group well to benefit from the material reduction in supply across the UK hospitality market, presenting an opportunity to take carefully targeted market share. In the Group's current trading estate of 355 sites (excluding 42 Concessions sites) there has been a 21% reduction in food and drink outlets in neighbouring locations (defined as within 0.5 miles of each Wagamama and Leisure site location, and within 5 miles of each TRG pub location).

The delivery market has grown rapidly over the last few years and is forecast to be worth £10.5 billion in 2021, a 36% increase versus 2019. It is projected to increase by a further 20% over the next three years (according to Lumina Intelligence (MCA) Food service delivery report (2021)). TRG is well placed to benefit from this growth through its Wagamama, Leisure and virtual brands, which provide customers with a broad range of cuisine types.

Alongside these long-term opportunities, there are some sector wide challenges, as outlined below:

- **Dine-in customer volumes:** LFL sales since re-opening has been supported by reduced VAT and significant growth in the delivery market, while dine-in covers remain behind 2019 volumes.
- **Labour market pressures:** There are numerous well-documented issues leading to rising labour costs, which are likely to be further exacerbated by an above inflationary increase in the National Living Wage (NLW) from April 2022.
- **Increasing inflationary pressures:** Includes food and drink cost inflation from certain commodity markets, distribution cost increases and material market driven increases in utility costs.
- **International travel experiencing a slow recovery:** Airport passenger volumes are currently running at c.25% of 2019 levels, reflecting ongoing travel restrictions and the impact of quarantine measures and testing requirements.

The Group continues to navigate these short-term challenges successfully but we expect increased inflationary cost pressures through FY 2022.

3. Progressing well on targeted organic growth opportunities

Our Wagamama and Pubs businesses have a track record of delivering strong returns on new site openings, with Wagamama (excluding delivery kitchens) having delivered over 40% returns on invested capital (based on new openings between 2015 and 2017) and Pubs delivered returns on invested capital of over 25% (on an adjusted leasehold basis). Additionally the five Wagamama delivery kitchens (open for more than 12 months) have generated over 75% returns on invested capital.

The strength of trading of these businesses since re-opening has reinforced our belief on the roll-out potential and we have made good progress on our expansion pipeline as follows:

- **Wagamama UK (excluding delivery kitchens):** On track to open five new restaurants in FY21 including sites already trading at Paddington and the West Midlands Designer outlet. The Group is targeting a roll-out of five to seven new sites per annum from FY22 onwards. Our market analysis and insight gives us confidence that we can expand the estate to between 180 and 200 Wagamama restaurants (from 144 today).
- **Wagamama UK delivery kitchens:** On track to open up to five new delivery kitchens in FY21 including sites already trading at Walthamstow and Forest Hill. The Group is targeting a roll-out of five to seven new delivery kitchens per annum from FY22 onwards. We continue to believe the roll-out potential for delivery kitchens is in the region of 20 to 30 (from seven today).
- **Pubs:** In FY22 we expect to open three new pubs and invest in our existing pubs to develop accommodation opportunities. From FY23 we expect to open five new pubs a year as we develop our property pipeline. Our long-term ambition remains to double the size of our existing estate to 140-160 pubs (from 78 today).
- **Wagamama International:** We expect to open three to four new US sites in FY22 under our JV partnership with the first two sites expected to be in Atlanta and Tampa. We also expect to open at-least five new international franchise sites in FY22 predominately in Italy and the Middle-East.

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

4. Our strengthened ESG strategy

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

Building on the progress to date, TRG is accelerating its business-wide ESG initiatives in a coordinated and target-driven programme.

As founder members and co-chair of emission working groups (for scopes 1 and 2) for the Zero Carbon Forum we play an active role in developing sector wide plans to reduce emissions and are committed to Net Zero carbon emissions by 2035. Supported by Science Based Targets, in 2022, we will be outlining clear measurable milestones to achieve this ambition.

From 1st October 2021, all[1] our directly controlled supplies of electricity, gas and LPG used in our Wagamama, Pubs and Leisure divisions will be from renewable sources and all residual emissions from this particular scope will be offset by carbon removal reforestation projects in FY22.

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

- Reducing energy consumption through an ongoing initiative that baselines usage per site, identifies best practice, sets targets and drives ongoing consumption reduction.
- Reducing food waste through a partnership with the Sustainable Restaurant Association on the 'Bad Taste' project that targets specific constituents of a menu that contribute to waste allowing us to adjust menu design and content. In another partnership with the 'Too Good to Go' food waste initiative (across 135 restaurants) we have donated almost 4,000 food bags that would have been wasted and we plan to roll the initiative out to more sites.
- Reducing plastic packaging by working with specialist packaging designers across the Group and we are launching a new, lower plastic packaging content range in Q2 2022 for Wagamama with the ambition of reducing plastic packaging by at least 30%.
- Trialling a 'Bowl Return Scheme' in Wagamama to encourage further recycling.

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

We continuously evolve our food offer to increase sustainable and healthy options for our customers and challenge ourselves to source from ethical and sustainable suppliers. We are launching a new children's menu in October within Frankie and Benny's that has reduced calories per meal, less fried food, increased vegetable content and that provides calories on the menu to support healthy customer choices.

To ensure supply chain sustainability, our Responsible Sourcing Policy requires suppliers to adhere to the Supplier Ethical Data Exchange standards which assess operating practices against four key areas: Labour Standards, Health & Safety, The Environment and Business Ethics. We are also committed to supporting farming communities and buy products which are certified as having been produced in accordance with ethical and sustainable standards, such as Fairtrade or the Rainforest Alliance.

Our charity partners are 'Mind' and 'Young Minds' (Mental Health Charities) and 'Only a Pavement Away' (A Homelessness Charity). We support our charities through a variety of fundraising activities and are donating profits from our retail range in Wagamama and other celebrity chef book launches. We are also supporting our homelessness charity by providing employment opportunities and a skills hub that offers hospitality training.

Our Apprenticeship programme currently provides practical skills, experience and qualifications for over 175 apprentices across front of house, back of house, management and commercial roles and we are aiming to double the number of apprenticeships in 2022. This will equip our graduates from the apprenticeship programme with the equivalent qualifications ranging from 5 GCSEs right up to degree level.

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

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

Summary and outlook

The Group is well-positioned following the restructuring and recapitalisation:

- Strong LFL sales outperformance versus the market
- Trading performance since re-opening supports an increase in expectations for full year EBITDA outcome
- Ongoing sector challenges to navigate through FY22
- ESG Strategy established with clear targets
- Lower net debt and substantial liquidity provides ability for targeted organic growth opportunities

Financial review

The Group adopted *IFRS 16 'Leases'* on 30 December 2019 using the modified retrospective approach to transition. Following the year of transition, we have decided to maintain the reporting of our profit and other key KPIs like net debt on a pre-IFRS 16 basis referred to as 'IAS 17'. This is because the pre-IFRS 16 profit is consistent with the financial information used in the management accounts to inform business decisions and investment appraisals. It is our view that presenting the information on a pre-IFRS 16 basis will provide a useful and necessary basis for understanding the Group's results to all stakeholders. As such, commentary has also been included in the Business Review, Financial Review and other sections with reference to underlying profit measures computed on a pre-IFRS 16 basis.

Note 3 to the financial statements provides a reconciliation to allow readers to understand the differences between our current period results on an IAS 17 basis and those under IFRS 16, as well as the differences between adjusted and total results.

The adjusted measures (as shown on the face of the Income Statement) are summarised below:

	27 weeks ended 4 July 2021 IFRS 16 £m	26 weeks ended 28 June 2020 IFRS 16 £m	**27 weeks ended 4 July 2021 IAS 17 £m**	26 weeks ended 28 June 2020 IAS 17 £m
Revenue	**216.8**	227.2	**216.8**	227.2
Adjusted[1] EBITDAR	**28.1**	21.2	**30.1**	16.7
Adjusted[1] EBITDA	**23.6**	18.9	**11.2**	(18.3)
Adjusted[1] operating loss	**(18.6)**	(41.3)	**(8.6)**	(38.9)
Adjusted[1] operating margin	**(8.6%)**	(18.2%)	**(4.0%)**	(17.1%)
Adjusted[1] loss before tax	**(39.5)**	(62.6)	**(19.9)**	(47.5)
Exceptional items before tax	**(19.3)**	(172.2)	**n/a**	n/a
Statutory loss before tax	**(58.8)**	(234.7)	**n/a**	n/a
Statutory loss after tax	**(56.0)**	(207.5)	**n/a**	n/a
Adjusted[1] EPS (pence)	**(4.7)p**	(11.2)p	**n/a**	n/a
Statutory EPS (pence)	**(8.0)p**	(38.8)p	**n/a**	n/a

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

Covid-19 continued to impact our ability to trade in the first half of 2021 with restaurants and pubs only re-opening for dine-in customers from 17 May, with all restrictions being lifted on 19 July. As a result, this set of results only includes seven weeks of full trading with the initial twenty weeks operating under varying trade restrictions. The Concessions business, was effectively closed during the period under review with the ongoing restrictions on international travel meaning that the restaurants could not be run profitably and only some returning to trade in late July, and at much reduced passenger levels.

Turnover for the 27 weeks to 4 July 2021 was £216.8m (2020: 26 weeks £227.2m) with £60.1m generated during the first quarter of the year whilst in lockdown. The comparison between the two periods is complicated by the impacts of the pandemic and significant changes in the estate, therefore like-for-like comparisons are being made to 2019. I am delighted to report that we have outperformed the market in terms of LFL sales performance across all divisions as outlined in the business review section.

Since re-opening, it has been operationally challenging to operate our pubs and restaurants given the impact of self-isolations caused by the 'Pingdemic' coupled with the well documented food and drink supply chain issues whilst delivering a fantastic customer experience to our guests.

Against this backdrop, it is therefore very pleasing to report an Adjusted[1] EBITDA profit (on an IAS 17 basis) of £11.2m (2020: loss of £18.3m), driven by strong trading within the first half, disciplined cost control and the benefit of Government assistance. Excluding the benefits from the business rates relief and property grants, the H1 Adjusted[1] EBITDA loss (on an IAS 17 basis) was £6.5m. The Group generated an Adjusted[1] EBITDA loss (on an IAS 17 basis) of £18.1m in the first quarter, whilst in lockdown, with positive EBITDA being delivered in the second quarter as the Group was able to welcome back guests to its restaurants for dine-in. Adjusted[1] operating loss (on an IAS 17 basis) was £8.6m (2020: loss of £38.9m).

Including the impact of IFRS 16, the Adjusted[1] loss before tax was £39.5m (2020: loss of £62.6m) and on a statutory basis the loss before tax was £58.8m (2020: loss of £234.7m). The significant increase in the statutory loss under IFRS 16 compared to IAS 17 is due to the depreciation and interest expense under IFRS 16 being much greater than the rent expense added back. The current year rent expense under IAS 17 is lower than normal due to rent concessions achieved with our landlords whilst under IFRS 16 the equivalent benefit in depreciation and interest cost is recognised over the life of the lease. When the impact of Covid-19 related rent deals end and onerous lease provision unwinds, we expect that the PBT outcome under IFRS 16 and IAS 17 will be broadly similar.

Adjusted[1] loss per share ('EPS') was 4.7p (2020: loss per share of 11.2p) and on a statutory basis the loss per share was 8.0p (2020: loss of 38.8p). The improvement in statutory EPS is driven primarily by the reduction in exceptional costs year-on-year.

Refinancing and Equity Raise

As outlined in the 2020 Annual Report, the Group completed a £500m refinancing in March 2021 consisting of a £380m term loan expiring in May 2026, and a £120m super senior revolving credit facility expiring in March 2025. This represents a significant achievement for the Group and secures a strong long-term capital structure with funding in place for the next four-five years.

Following the refinancing, the Group drew down £330m of the term loan and used the proceeds to repay the Wagamama bond, CLBILS, and RCF debts under the previous facilities. The term loan was only available for a single draw down and so this facility is now set at £330m. The revolving credit facility of £120m remains available but has not been drawn since inception.

On 29 March, the Group also completed an equity raise with net proceeds of £166.8m being raised by a Firm Placing and Placing and Open Offer. The success of this equity raise was a testament to our supportive investor base and gives us the liquidity needed to withstand further trading restrictions, to invest in growing the business over the medium term and to deliver good sustainable shareholder returns.

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

Cash flow and net debt

The Group has finished the first half with IAS 17 net debt of £200.3m (2020: £308.3m). We therefore have in excess of £235.0m of available debt facilities (2020: £127.1m), with a minimum liquidity covenant of £40.0m. This strengthened balance sheet provides the Group with substantial liquidity to invest in targeted organic growth opportunities, and moves us towards a targeted Net Debt to Adjusted[1] EBITDA (pre-IFRS 16) below 1.5 times in the medium term. Post-IFRS 16, net debt was £635.0m (2020: £1,138.1m) with a significant part of the reduction coming from exiting a number of leases in our Leisure business and the restructuring of our Concessions agreements.

Since refinancing, the capital expenditure programmes for the Group have recommenced with opportunities for new Wagamama and Pub sites being actively explored, following a period of reduced expenditure as a result of the Covid-19 pandemic. The first half capital expenditure of £12.0m (2020: £25.0m) largely relates to the completion of new Concession sites in Manchester Airport, two Wagamama restaurants and two new delivery kitchens.

Summary cash flow for the period is set out below:

	2021 £m	2020 £m
EBITDA (IAS 17)[1]	**11.2**	(18.3)
Working capital and non-cash adjustments	**2.6**	(10.1)
Operating cash flow[2]	**13.8**	(28.4)
Net interest paid	**(14.3)**	(7.7)
Tax paid	**(0.2)**	(2.8)
Refurbishment and maintenance expenditure	**(6.7)**	(10.6)
Free cash flow	**(7.4)**	(49.5)
Development expenditure	**(5.3)**	(14.4)
Utilisation of onerous lease provisions	**(3.4)**	(10.2)
Exceptional costs	**(7.6)**	(6.5)
Proceeds from issue of share capital	**166.8**	54.6
Other items	**–**	2.4
Cash movement	**143.2**	(23.6)
Net Debt (IAS 17 basis)		
Group net debt brought forward	**(340.4)**	(286.6)
Derecognition of finance lease liability (IFRS 16 transition)	**–**	2.6
Non-cash movements in net debt	**(3.1)**	(0.7)
Group net debt carried forward (IAS 17 basis)	**(200.3)**	(308.3)
Incremental lease liabilities (IFRS 16)	**(434.7)**	(829.8)
Group net debt carried forward (IFRS 16 basis)	**(635.0)**	(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.

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

Going Concern

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

Whilst the trading restrictions placed on the Group by the UK Government and the Devolved Administrations were largely removed in July 2021, the Group is still dealing with the ongoing impacts of the pandemic. Specifically, these include the restrictions on international travel which have reduced sales in our airport sites, the impact of self-isolations on the availability of our colleagues, and the well documented challenges within the supply chain. However, following the refinancing of the Group in March 2021 which provided £450.0m of committed facilities through to March 2025 (being £330.0m Term Loan and £120.0m of revolving credit facilities), and the equity raise in March 2021 which provided net proceeds of £166.8m, the Group now has sufficient liquidity and covenant headroom to continue in operation for the going concern review period to 31 December 2022.

The Principal Risks and Uncertainties are disclosed in the Risk Committee report, which have been considered by the Directors in forming their opinion. The Directors have approved financial projections to 31 December 2022 (the review period), containing a base case forecast and a severe but plausible sensitised case, reducing sales by approximately 10%. In the base case forecast, there is a cash headroom of at least £180.0m over the required £40.0m of liquidity and a covenant leverage ratio as at 31 December 2022 of below 2.0 times (against a limit of 5.0 times). By comparison under the sensitised case the cash headroom reduces to at least £142.0m over the required £40.0m of liquidity, and a leverage ratio of below 3.5 times, before any mitigations. Mitigating actions include reducing capital and operating expenditure, or capitalising interest payments, none of which have been included in the forecast scenarios. In both scenarios, the Government is expected to continue to offer the furlough scheme until the end of September 2021, to continue with the 5% VAT rate until the end of September 2021 and then 12.5% VAT rate until the end of March 2022. All these Government policies are as announced.

In addition, the Group has assumed that the option to repay up to 27% of the Term Loan in the period of 18 months from drawdown will not be exercised in the review period, but if it became appropriate to do so the Board would exercise appropriate governance to maintain sufficient headroom for liquidity and covenant purposes.

Based on the above assumptions, in both scenarios the Group has sufficient liquidity to finance operations within the covenant structure for the going concern review period.

The Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the period to 31 December 2022, being at least the next twelve months from the date of approval of the interim accounts. On this basis, the Directors continue to adopt the going concern basis in preparing these accounts.

Exceptional Costs

Exceptional costs before tax in the first half reduced significantly to £19.3m, from £172.2m in the first half of 2020.

The most significant reduction in exceptional costs related to those incurred in the restructuring of our Leisure and Concessions business with a cost of £14.2m (2020: £132.4m). The majority of this charge related to the impairment of sites that we no longer intend to re-open in Concessions, and Central London Leisure sites.

In addition, the impairment charge relating to our trading sites has fallen from £18.6m in the prior year to only £1.3m. In the current year, a small number of sites were impaired due to trading in certain locations totalling £11.3m, partially offset by the improved trading in a number of sites which has led the Group to reverse previously booked impairment charges of £10.0m.

Included within exceptional interest costs, is a charge of £1.9m (2020: £nil) relating to the write off of unamortised loan fees on the previous debt facilities. The fees relating to the new facilities totalled £14.6m and will be amortised over the term of the facilities.

The final significant balance within exceptional items relates to professional fees of £1.6m (2020: £2.2m) relating to corporate activity.

Tax

The tax credit for the period was £2.8m (2020: tax credit of £7.7m), summarised as follows:

	2021			2020
	Trading[1] £m	Exceptional £m	Total £m	Total £m
Loss before tax	(39.5)	(19.3)	(58.8)	(127.6)
Tax on loss	6.1	(3.3)	2.8	7.7
Effective tax rate	15.4%	n/a	4.7%	6.0%

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 Corporation tax rate on the adjusted loss (before exceptional items) is 15.4%. The tax rate is below the corporation tax rate of 19% due to the loss made in the period, partially offset by non-deductible costs such as share based incentives, and foreign losses.

Included in the exceptional tax charge of £3.3m is a charge of £9.9m relating to the change in corporation tax rate which is due to come into effect from April 2023 and increases our deferred tax liability. This has been partially offset by a £6.6m credit relating to exceptional costs that are deductible for tax purposes.

IFRS 16

The Group adopted IFRS 16 'Leases' in its accounts from 30 December 2019. The accounts for this interim period are therefore comparable with the prior year interim period.

Compared 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 minimum rent cost and rises by £12.4m (2020: £37.3m) in the first half. The variable elements of rent are still charged within EBITDA and total £4.5m;
- a higher adjusted operating loss. The depreciation on the right of use asset of £22.4m (2020: £39.6m) is higher than the IAS 17 rent charge. This is due to gains associated with Covid-19 rent waivers being recognised in the P&L immediately under IAS 17 while they are spread over the life of the lease under IFRS 16;
- 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 £19.5m (2020: £15.1m); and.
- a higher level of net debt, reflecting the inclusion of an additional £434.7m (2020: £827.2m) of capitalised lease liabilities within net debt. The completion of the CVA in the second half of 2020, along with the introduction of variable, passenger volume linked rent agreements at the majority of our airport sites has driven a significant reduction in our lease liabilities.

Risk Committee report

The Risk Committee is chaired by the Chief Financial Officer and has met twice in the first six months of 2021 financial year. During 2021, the Group continues to proactively manage risk including those caused by the pandemic including the national lockdown in Q1 and reopening of the business through Q2. A risk report is tabled at the Audit Committee meeting following each Risk Committee meeting and the Chief Financial Officer reports to the Audit Committee on the Committee's proceedings.

Risk management process

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

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

Risk appetite

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

Emerging risk

The Committee also reviews emerging risks, such as the current labour supply or logistics challenges, to ensure that appropriate steps are taken at the right time.

Principal risk factors

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

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 Finance Director, the Chief Information Officer, the People Director, the Group Purchasing Director, the Group Property Director and Head of Risk. In addition, employees from across the business attend Committee meetings by invitation in order to assist the Committee in discharging its duties.

Board

Overall responsibility for risk management

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

Audit Committee

Delegated responsibility with regular review of risk management procedures

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

Risk Committee

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

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

Risk Committee report continued

Risk	Mitigating factors
Business Recovery post Covid-19 • Risk of structural change to customer dinning habits post pandemic	• A well-developed delivery channel in both the Wagamama and Leisure businesses • Operational processes established to meet colleague, customer and regulatory requirements post Covid-19 • Growth plans established to extend the number of Wagamama and pub sites across the UK.
Allergens • Risk of guests suffering from a 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 businesses. • Detailed database built up by ingredient/supplier and testing of database including physical verification. • Allergen training refreshed as part of the reopening training and completed by all restaurant employees across all businesses. • Allergen advice on menus with daily updates to source data.
Talent attraction and retention • Failure to attract, retain, or develop Chefs, GMs, and senior managers.	• Implementation of a new recruitment process to ensure the quality of hiring is improved. • Continued improvement of onboarding and induction process focused on the first 90 days of employment to improve employee engagement. • Ongoing review to ensure that labour rates are appropriate as the market place evolves
Supply chain management • Risk of loss of key suppliers, jeopardising product availability. • Risk that the distribution network is unable to meet the demands of our restaurants given HGV driver shortage in the UK.	• All essential products are dual sourced with contingency plans in place • Increased stock holding for key product lines where practical. • Regular monitoring of performance across all logistics partners and key suppliers. • 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 review operations and procedures. • Random DNA checks carried out on a monthly basis with all processed products checked a minimum of once per year.
Cybersecurity • Risk of cybersecurity failure or incident leading to data loss, disruption of services, fines and trading or reputational damage.	• Payment Card Industry Data Security Standard (PCI DSS) v3.2 annual compliance certification process. • ASV scans and penetration tests, with remediation actions completed.

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 27 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

14 September 2021

Kirk Davis
Chief Financial Officer

14 September 2021

Consolidated income statement

	Note	27 weeks ended 4 July 2021			26 weeks ended 28 June 2020			52 weeks ended 27 December 2020
		Trading business (Unaudited) £'000	Exceptional items (Note 4) (Unaudited) £'000	Total (Unaudited) £'000	Trading business (Unaudited) £'000	Exceptional items (Note 4) (Unaudited) £'000	Total (Unaudited) £'000	Total (Audited) £'000
Revenue	2	216,825	–	216,825	227,194	–	227,194	459,773
Cost of sales		(213,582)	(15,783)	(229,365)	(248,103)	(165,634)	(413,737)	(503,115)
Gross (loss)/profit		3,243	(15,783)	(12,540)	(20,909)	(165,634)	(186,543)	(43,342)
Share of results of associate		(63)	–	(63)	(634)	–	(634)	(623)
Administration costs		(21,795)	(1,639)	(23,434)	(19,715)	(6,535)	(26,250)	(45,878)
Operating loss		(18,615)	(17,422)	(36,037)	(41,258)	(172,169)	(213,427)	(89,843)
Interest payable	5	(20,920)	(1,894)	(22,814)	(21,490)	–	(21,490)	(38,145)
Interest receivable	5	67	–	67	186	–	186	400
Loss on ordinary activities before tax		(39,468)	(19,316)	(58,784)	(62,562)	(172,169)	(234,731)	(127,588)
Tax on (loss)/profit from ordinary activities	6	6,091	(3,316)	2,775	2,756	24,480	27,236	7,700
Loss for the period		(33,377)	(22,632)	(56,009)	(59,806)	(147,689)	(207,495)	(119,888)
Other comprehensive income:								
Foreign exchange differences arising on consolidation		133	–	133	(448)	–	(448)	91
Total comprehensive loss for the period		(33,244)	(22,632)	(55,876)	(60,254)	(147,689)	(207,943)	(119,797)
(Loss)/earnings per share (pence)								
Rights adjusted basic	7	(4.7)		(8.0)	(11.2)		(38.8)	(21.3)
Rights adjusted diluted	7	(4.7)		(8.0)	(11.2)		(38.8)	(21.3)

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

EBITDA	23,615	(3,731)	19,884	18,918	(34,248)	(15,330)	156,238
Depreciation, amortisation and impairment	(42,230)	(13,691)	(55,921)	(60,176)	(137,921)	(198,097)	(246,081)
Operating loss	(18,615)	(17,422)	(36,037)	(41,258)	(172,169)	(213,427)	(89,843)

Consolidated balance sheet

	Note	As at 4 July 2021 (Unaudited) £'000	As at 28 June 2020 (Unaudited) £'000	As at 27 December 2020 (Audited) £'000
Non-current assets				
Intangible assets	8	**599,006**	601,732	599,493
Right of use assets	9	**302,412**	575,462	368,888
Property, plant and equipment	10	**296,266**	313,533	305,614
Net investments in subleases		**2,892**	3,950	3,022
		1,200,576	1,494,677	1,277,017
Current assets				
Inventory		**5,099**	7,375	5,124
Other receivables		**12,053**	23,982	15,544
Net investments in subleases		**675**	1,287	600
Prepayments		**4,034**	11,378	8,795
Corporation tax debtor		**12,633**	–	89
Cash and cash equivalents		**115,783**	132,853	40,724
		150,277	176,875	70,876
Total assets		**1,350,853**	1,671,552	1,347,893
Current liabilities				
Trade and other payables		**(110,769)**	(144,643)	(116,727)
Corporation tax liabilities		**–**	(4,016)	–
Provisions		**(5,089)**	(9,570)	(4,258)
Lease liabilities	9	**(75,388)**	(99,106)	(91,478)
		(191,246)	(257,335)	(212,463)
Net current liabilities		**(40,969)**	(80,460)	(141,587)
Long-term borrowings	14	**(316,047)**	(441,132)	(381,118)
Other payables		**–**	(3,043)	(1,321)
Deferred tax liabilities		**(50,261)**	(9,233)	(40,704)
Lease liabilities	9	**(359,350)**	(730,729)	(392,310)
Provisions		**(9,875)**	(5,484)	(8,347)
		(735,533)	(1,189,621)	(823,800)
Total liabilities		**(926,779)**	(1,446,956)	(1,036,263)
Net assets		**424,074**	224,596	311,630
Equity				
Share capital	12	**215,158**	165,880	165,880
Share premium		**394,186**	276,633	276,634
Other reserves		**(2,273)**	(5,794)	(3,896)
Retained earnings		**(182,997)**	(212,123)	(126,988)
Total equity		**424,074**	224,596	311,630

Consolidated statement of changes in equity

	Note	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 29 December 2019 (Audited)		138,234	249,686	(5,921)	19,900	401,899
Adjustment for IFRS 16 transition		–	–	–	(24,528)	(24,528)
Balance at 30 December 2019		138,234	249,686	(5,921)	(4,628)	377,371
Total comprehensive loss for the period		–	–	(448)	(207,495)	(207,943)
Share issue	12	27,646	26,947	–	–	54,593
Share-based payments		–	–	686	–	686
Deferred tax on share-based payments		–	–	(111)	–	(111)
Balance at 28 June 2020 (Unaudited)		165,880	276,633	(5,794)	(212,123)	224,596
Balance at 29 December 2019 (Audited)		138,234	249,686	(5,921)	19,900	401,899
Adjustment for IFRS 16 transition		–	–	–	(27,000)	(27,000)
Balance at 30 December 2019		138,234	249,686	(5,921)	(7,100)	374,899
Total comprehensive (loss)/income for the period		–	–	91	(119,888)	(119,797)
Share issue	12	27,646	26,948	–	–	54,594
Share-based payments				2,016	–	2,016
Deferred tax on share-based payments		–	–	(82)	–	(82)
Balance at 27 December 2020 (Audited)		165,880	276,634	(3,896)	(126,988)	311,630
Balance at 27 December 2020 (Audited)		**165,880**	**276,634**	**(3,896)**	**(126,988)**	**311,630**
Total comprehensive (loss)/income for the period		**–**	**–**	**133**	**(56,009)**	**(55,876)**
Share issue	12	**49,278**	**117,552**	**–**	**–**	**166,830**
Share-based payments		**–**	**–**	**1,493**	**–**	**1,493**
Deferred tax on share-based payments		**–**	**–**	**(3)**	**–**	**(3)**
Balance at 4 July 2021 (Unaudited)		**215,158**	**394,186**	**(2,273)**	**(182,997)**	**424,074**

Consolidated cash flow statement

	Note	27 weeks ended 4 July 2021 (Unaudited) £'000	26 weeks ended 28 June 2020 (Unaudited) £'000	52 weeks ended 27 December 2020 (Audited) £'000
Operating activities				
Cash generated from operations	13	**28,432**	(33,901)	3,216
Interest received		**–**	43	173
Interest paid		**(14,287)**	(7,734)	(15,679)
Corporate tax (repayment)/paid		**(215)**	(2,839)	5,111
Payment on exceptionals		**(7,568)**	–	(34,860)
Net cash flows from operating activities		**6,362**	(44,431)	(42,039)
Investing activities				
Purchase of property, plant and equipment		**(11,223)**	(24,176)	(37,387)
Purchase of intangible assets		**(719)**	(205)	(1,883)
Proceeds from disposal of property, plant and equipment		**–**	2,500	3,343
Investment in associate		**(63)**	(634)	(623)
Net cash flows from investing activities		**(12,005)**	(22,515)	(36,550)
Financing activities				
Net proceeds from issue of ordinary share capital		**166,830**	54,593	54,593
Repayment of obligations under leases		**(17,957)**	(11,225)	(30,777)
Repayments of overdraft		**–**	(9,950)	(9,950)
Repayments of borrowings	14	**(383,611)**	–	(24,000)
Drawdown of borrowings	14	**330,000**	116,611	80,611
Upfront loan facility fee paid	14	**(14,560)**	–	(934)
Net cash flows used in financing activities		**80,702**	150,029	69,543
Net increase/(decrease) in cash and cash equivalents		**75,059**	83,083	(9,046)
Cash and cash equivalents at the beginning of the period		**40,724**	49,756	49,756
Foreign exchange movement in cash		**–**	14	14
Cash and cash equivalents at the end of the period		**115,783**	132,853	40,724

Notes to the condensed financial statements

1 Accounting policies

Basis of preparation

The interim condensed consolidated set of financial statements included in this interim financial report has been prepared in accordance with IAS 34 'Interim Financial Reporting'. 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. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's latest annual consolidated financial statements as at 27 December 2020.

General information

The comparatives for the full year ended 27 December 2020 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.

The accounting period runs to a Sunday each half year which will be a 26 or 27 week period. The Directors present their report and consolidated financial statements for the 27 week period ended 4 July 2021, with the comparative period to 28 June 2020 being a 26 week period.

Going concern basis

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

Whilst the trading restrictions placed on the Group by the UK Government and the Devolved Administrations were largely removed in July 2021, the Group is still dealing with the ongoing impacts of the pandemic. Specifically, these include the restrictions on international travel which have reduced sales in our airport sites, the impact of self-isolations on the availability of our colleagues, and the well documented challenges within the supply chain. However, following the refinancing of the Group in March 2021 which provided £450.0m of committed facilities through to March 2025 (being £330.0m Term Loan and £120.0m of revolving credit facilities), and the equity raise in March 2021 which provided net proceeds of £166.8m, the Group now has sufficient liquidity and covenant headroom to continue in operation for the going concern review period to 31 December 2022.

The Principal Risks and Uncertainties are disclosed in the Risk Committee report, which have been considered by the Directors in forming their opinion. The Directors have approved financial projections to 31 December 2022 (the review period), containing a base case forecast and a severe but plausible sensitised case, reducing sales by approximately 10%. In the base case forecast, there is a cash headroom of at least £180.0m over the required £40.0m of liquidity and a covenant leverage ratio as at 31 December 2022 of below 2.0 times (against a limit of 5.0 times). By comparison under the sensitised case the cash headroom reduces to at least £142.0m over the required £40.0m of liquidity, and a leverage ratio of below 3.5 times, before any mitigations. Mitigating actions include reducing capital and operating expenditure, or capitalising interest payments, none of which have been included in the forecast scenarios. In both scenarios, the Government is expected to continue to offer the furlough scheme until the end of September 2021, to continue with the 5% VAT rate until the end of September 2021 and then 12.5% VAT rate until the end of March 2022. All these Government policies are as announced.

In addition, the Group has assumed that the option to repay up to 27% of the Term Loan in the period of 18 months from drawdown will not be exercised in the review period, but if it became appropriate to do so the Board would exercise appropriate governance to maintain sufficient headroom for liquidity and covenant purposes.

Based on the above assumptions, in both scenarios the Group has sufficient liquidity to finance operations within the covenant structure for the going concern review period.

The Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the period to 31 December 2022, being at least the next twelve months from the date of approval of the interim accounts. On this basis, the Directors continue to adopt the going concern basis in preparing these accounts.

Changes in accounting policies

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements.

2 Segment 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 has four segments:

- Wagamama
- Pubs
- Leisure; and
- Concessions

The economic characteristics of these businesses, including Gross Margin, Net Margin, EBITDA and Sales trajectory, have been reviewed by the Directors along with the non-financial criteria of IFRS 8. It is the Directors' judgement that whilst there is some short term variability during the Covid-19 recovery, all segments have similar economic characteristics in the medium to long-term and so meet the standard's criteria for aggregation. Consequently, no segmental analysis is provided.

Geographical segments

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

3 Reconciliation to underlying trading profit

The results used by the Directors to monitor and review the performance of the Group continue to reflect the IAS 17 approach to accounting and a number of the key metrics used in this report are prepared on that basis. A reconciliation is provided below of the key differences between results under IFRS 16 and the basis used for management reporting.

	H1 2021 Trading IAS 17 £'000	Adjustments for IFRS 16 £'000	H1 2021 Trading IFRS 16 £'000	Exceptional items (Note 4) £'000	H1 2021 Total IFRS 16 £'000	H1 2020 Total IFRS 16 £'000
Revenue	216,825	–	216,825	–	216,825	227,194
Cost of sales	(203,519)	(10,063)	(213,582)	(15,783)	(229,365)	(413,737)
Gross (loss)/profit	13,306	(10,063)	3,243	(15,783)	(12,540)	(186,543)
Share of result of associate	(63)	–	(63)	–	(63)	(634)
Administration costs	(21,887)	92	(21,795)	(1,639)	(23,434)	(26,250)
Operating loss	(8,644)	(9,971)	(18,615)	(17,422)	(36,037)	(213,427)
Interest payable	(11,303)	(9,617)	(20,920)	(1,894)	(22,814)	(21,490)
Interest receivable	–	67	67	–	67	186
Loss before tax	(19,947)	(19,521)	(39,468)	(19,316)	(58,784)	(234,731)
EBITDA	11,236	12,379	23,615	(3,731)	19,884	(15,330)
Depreciation, amortisation and impairment	(19,880)	(22,350)	(42,230)	(13,691)	(55,921)	(198,097)
Operating loss	(8,644)	(9,971)	(18,615)	(17,422)	(36,037)	(213,427)

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:

	H1 2021 £000	H1 2020 £000
Underlying trading loss before tax	(19,947)	(47,479)
Removal of rent expenses	12,379	37,254
Net change in depreciation	(22,350)	(39,616)
Net change in interest payable	(9,617)	(12,864)
Interest receivable on net investments in subleases	67	143
Trading loss before tax under IFRS 16	(39,468)	(62,562)

4 Exceptional items

	27 weeks ended 4 July 2021 (Unaudited) £'000	26 weeks ended 28 June 2020 (Unaudited) £'000	52 weeks ended 27 December 2020 (Audited) £'000
Included within cost of sales:			
– Impairment charges relating to trading sites	**1,323**	18,613	37,065
– Estate closure	**242**	4,882	5,508
– Disposal of assets in administration	**–**	9,692	9,877
– Estate restructuring	**14,218**	132,447	(18,997)
– Release of other provision	**–**	–	(935)
	15,783	165,634	32,518
Included within administration costs:			
– Integration costs	**–**	3,281	3,198
– Professional fees	**1,639**	2,198	3,178
– Disposal of US operation	**–**	1,056	1,238
	1,639	6,535	7,614
Included within interest payable :			
– Refinancing costs	**1,894**	–	–
Exceptional items before tax	**19,316**	172,169	40,132
Tax effect of exceptional Items	**3,316**	(24,480)	4,304
	3,316	(24,480)	4,304
Net exceptional items for the period	**22,632**	147,689	44,436

Impairment charges

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

This charge comprises the below adjustments:

- An impairment charge on right of use assets of £2.7m (Note 11)
- An impairment reversal on property, plant and equipment of £1.1m (Note 11)
- Credit gains of £0.3m 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 11.

4 Exceptional items continued

Estate restructuring

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

- £10.0m of right of use assets have been impaired on sites that are permanently closed
- £2.1m of property, plant and equipment have been impaired in those same closed sites
- A provision charge of £5.0m relates to the recognition of fixed costs associated to sites that have been specifically closed. The provision is substantially made up of rates, service charge, utilities and insurance
- Payments to exit sites of £3.0m
- Staff restructuring costs of £2.0m
- Other restructuring costs of £0.4m
- Partially offset by rent concessions achieved following the impact of Covid-19 amounting to a credit of £8.3m (Note 9)

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.

Refinancing costs

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

Tax rate change

The 2021 Budget in March this year announced an increase in the UK corporation tax rate to 25% with effect from 1 April 2023. This was substantively enacted on 24 May 2021. The UK corporation tax rate increase has resulted in an increase of £9.9m in the deferred tax asset associated with Intangibles on the Wagamama trademark. This has been recognised as an exceptional item in the tax charge for the period as it is unrelated to underlying trading.

5 Net finance charges

	27 weeks ended 4 July 2021 (Unaudited) £'000	26 weeks ended 28 June 2020 (Unaudited) £'000	52 weeks ended 27 December 2020 (Audited) £'000
Bank interest payable	**9,782**	7,673	15,497
Unwinding of discount on lease liabilities	**9,912**	12,935	20,977
Amortisation of facility fees	**1,206**	699	1,620
Other interest payable	**20**	183	51
Exceptional refinancing costs	**1,894**	–	–
Interest payable	**22,814**	21,490	38,145
Unwinding of discounts on investments in subleases	**(67)**	(143)	(227)
Other interest receivable	**–**	(43)	(173)
Interest receivable	**(67)**	(186)	(400)
Total net finance charges	**22,747**	21,304	37,745

6 Tax

The tax net credit of £2.8m is composed of a trading current tax credit of £8.6m, offset by a trading deferred tax charge of £2.5m; and, for exceptional items, there is a current tax credit of £3.7m, offset by a deferred tax charge of £7.0m. The effective Corporation tax rate on the adjusted loss (before exceptional items) is 15.4%. The tax credit is below the corporation tax rate of 19% due principally to non-deductible share based incentive costs, and foreign losses not being available for relief.

Included in the exceptional tax charge of £3.3m is a charge of £9.9m relating to the change in corporation tax rate announced from 19% to 25% in April 2023 and so increasing the deferred tax liability, which management have treated as exceptional due to its non-recurring nature. This has been offset by £6.6m of credits relating to both exceptional costs that are deductible for tax purposes, and adjustments to prior year taxable profits against which losses are to be carried back.

Notes to the condensed financial statements continued

7 Earnings per share

	27 weeks ended 4 July 2021 (Unaudited)	26 weeks ended 28 June 2020 (Unaudited)	52 weeks ended 27 December 2020 (Audited)
a) Basic earnings per share:			
Weighted average ordinary shares for the purposes of basic earnings per share	**702,705,253**	534,652,991	562,652,429
Loss for the period (£'000)	**(56,009)**	(207,495)	(119,888)
Basic earnings per share for the period (pence)	**(8.0)**	(38.8)	(21.3)
Loss for the period (£'000)	**(56,009)**	(207,495)	(119,888)
Effect of exceptional items on earnings for the period (£'000)	**22,632**	147,689	44,436
Loss excluding exceptional items (£'000)	**(33,377)**	(59,806)	(75,452)
Adjusted earnings per share (pence)	**(4.7)**	(11.2)	(13.4)
b) Diluted earnings per share:			
Weighted average ordinary shares for the purposes of basic earnings per share	**702,705,253**	534,652,991	562,652,429
Effect of dilutive potential ordinary shares:			
Dilutive shares to be issued in respect of options granted under the share option schemes	**448,586**	–	84,176
	703,153,839	534,652,991	562,736,605
Diluted earnings per share (pence)	**(8.0)**	(38.8)	(21.3)
Adjusted diluted earnings per share (pence)	**(4.7)**	(11.2)	(13.4)

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

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

8 Intangible assets

	Total £'000
Net book value as at 27 December 2020 (Audited)	**599,493**
Additions to software assets	719
Amortisation of intangible assets	(1,206)
Net book value as at 4 July 2021 (Unaudited)	**599,006**

9 Right of use assets and lease liabilities

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

	27 weeks ended 4 July 2021 (Unaudited) £'000	26 weeks ended 28 June 2020 (Unaudited) £'000	52 weeks ended 27 December 2020 (Audited) £'000
Brought forward right of use assets	**368,888**	819,499	819,499
Additions	**12,191**	3,055	17,961
Disposals	**(3,360)**	(90,308)	(167,821)
Depreciation	**(22,436)**	(44,952)	(73,527)
Remeasurements	**(40,175)**	3,719	(105,526)
Impairment (Note 11)	**(12,696)**	(115,551)	(121,698)
Carry forward right of use assets	**302,412**	575,462	368,888

When indicators of impairment exist, right of use assets may be assessed for impairment. As described in Note 11, all non-current assets were assessed at 4 July 2021.

Movements in lease liabilities during the period are shown below:

	£'000	£'000	£'000
Brought forward lease liabilities	**483,788**	933,447	933,447
Additions	**12,191**	3,055	17,961
Unwinding of discount on lease liabilities	**9,912**	12,864	20,977
Cash payments made	**(17,957)**	(11,225)	(30,777)
Liabilities extinguished on disposals	**(6,217)**	(112,025)	(335,717)
Remeasurements[1]	**(46,979)**	3,719	(122,103)
Carry forward lease liabilities	**434,738**	829,835	483,788
Analysed as:			
Amount due for settlement within one year	**75,388**	99,106	91,478
Amount due for settlement after one year	**359,350**	730,729	392,310
Total lease liability	**434,738**	829,835	483,788

1 Remeasurements include leases that were renegotiated as a result of Covid-19 to variable terms and therefore the liability is remeasured to nil (Note 4).

10 Property, plant and equipment

	£'000
Net book value at 27 December 2020 (Audited)	**305,614**
Additions	12,958
Disposals	(2,723)
Depreciation	(18,588)
Impairment (Note 11)	(995)
Net book value at 4 July 2021 (Unaudited)	**296,266**

11 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 and relies primarily upon "value in use" tests, although for freehold sites an independent estimate of market value by site has also been obtained and, where this is higher than the value in use, we rely on freehold values in our impairment reviews.

Discount rates used in the value in use calculations are estimated with reference to our Group weighted average cost of capital. For 2021, we have applied the discount rate of 10.27% to all assets (2020: 8.70%) that reflects the risk of these assets.

For the current period, value in use estimates have been prepared on the basis of the forecast described above in Note 1 under the heading "Going concern basis". The most significant assumptions and estimates relate to revenue recovery forecast on site-by-site cash flows. It is assumed that our businesses, with the exception of Concessions, maintain a steady recovery in revenues, with Wagamama being the quickest to recover. Concessions is assumed to recover more slowly, remaining below 2019 levels in 2023.

Results of impairment review

Impairment has been recorded in a number of specific CGUs, as well as impairment reversals. A total net impairment charge of £13.7m (2020: £142.9m) was recognised which is a total impairment charge of £23.4m and impairment reversal of £9.7m. Of the net impairment charge of £13.7m, £12.1m related to non-trading sites.

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

Sensitivity to further impairment charges

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

The sensitivity analysis of forecast cash flows with a 10% reduction in sales would give rise to an additional impairment of approximately £30.7m across PPE and right of use assets, made up of an increase in impairment of £23.3m and a reduction in impairment reversals of £7.4m. Furthermore, this reduction in sales would also give rise to an impairment to the investments in Blubeckers Limited and Ribble Valley Inns Limited of £3.2m and £0.9m respectively.

11 Impairment reviews continued

An increase in discount rate of 2% would give rise to additional impairment of approximately £5.2m, made up of an increase in the impairment expense of £3.7m and a reduction in the impairment reversals of £1.5m. While a 2% decrease would lead to a reduction in impairment of £4.5m, made up of a £2.8m reduction in impairment expense and an increase in impairment reversals of £1.7m.

A decrease in terminal growth rates of 1% would lead to an increase in impairment expense of £1.2m, made up of an increase in the impairment expense of £0.9m and a decrease in the impairment reversals of £0.3m. While a 1% increase would lead to a decrease in impairment expense of £1.4m, made up of a £0.9m reduction in impairment expense and an increase in impairment reversals of £0.5m.

12 Share capital

Share capital at 4 July 2021 amounted to £215.2m (2020: £165.9m). The number of shares authorised, used and fully paid was 765,036,713 (2020: 589,795,475). The shares have a par value of 28.125p (2020: 28.125p).

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

Notes to the condensed financial statements continued

13 Reconciliation of profit before tax to cash generated from operations

	27 weeks ended 4 July 2021 (Unaudited) £'000	26 weeks ended 28 June 2020 (Unaudited) £'000	52 weeks ended 27 December 2020 (Audited) £'000
Loss on ordinary activities before tax	(58,784)	(234,731)	(127,588)
Net interest charges	20,853	21,304	37,745
Exceptional items (Note 4)	19,316	159,258	40,132
Share of loss of associate	63	634	623
Share-based payments	1,493	686	2,016
Depreciation and amortisation	42,230	60,176	103,161
Decrease/(increase) in inventory	25	1,899	3,527
Decrease/(increase) in receivables	8,415	(38)	15,897
(Decrease)/increase in creditors	(5,179)	(43,089)	(72,297)
Cash generated from operations	**28,432**	(33,901)	3,216

14 Long-term borrowings

	At 4 July 2021 (Unaudited)		As at 28 June 2020 (Unaudited)		At 27 December 2020 (Audited)	
	Drawn £'000	Total facility £'000	Drawn £'000	Total facility £'000	Drawn £'000	Total facility £'000
Term loan	330,000	330,000	–	–	–	–
High yield bond	–	–	225,000	225,000	225,000	225,000
Revolving credit facilities	–	120,000	218,611	245,000	108,611	195,000
CLBILS	–	–	–	–	50,000	50,000
Total banking facilities	330,000	450,000	443,611	470,000	383,611	470,000
Unamortised loan fees	(13,953)		(2,479)		(2,493)	
Long-term borrowings	**316,047**		441,132		381,118	

The term loan matures in May 2026, and the revolving credit facility (RCF) matures in March 2025.

Refinancing

On 1 March 2021, the Group announced that it had successfully signed commitments in relation to £500.0m of new debt facilities, which comprises a £380.0m Term Loan Facility, and a £120.0m Super Senior Revolving Credit Facility. These facilities provide the Group with enhanced liquidity and long-term financing with the maturities of the Term Loan and the RCF being in 2026 and 2025, respectively.

An amount of £330.0m was drawn down on the 17 May 2021 and, as required, was used to repay and refinance in full all of the Group's existing debt facilities. This refinancing provides the TRG plc Group with a much simpler capital structure as all debt is consolidated into one finance group which will provide a more efficient funding structure to support the Group's strategic initiatives.

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 27 weeks ended 4 July 2021 which comprises a Condensed Consolidated Income Statement, a Condensed Consolidated Statement of Comprehensive Income, a Condensed Consolidated Balance Sheet, a Condensed Consolidated Statement of Changes in Equity and a Condensed Consolidated Cash Flow Statement, and explanatory notes. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors’ Responsibilities

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

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

Our Responsibility

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

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 27 weeks ended 4 July 2021 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
14 September 2021

Glossary

Adjusted diluted EPS	Calculated by taking the profit after tax of the business pre-exceptional items divided by the weighted average number of shares in issue during the year, including the effect of dilutive potential ordinary shares.
Adjusted EBITDA	Earnings before interest, tax, depreciation, amortisation and exceptional items. Calculated by taking the Trading business operating profit and adding back depreciation and amortisation.
Adjusted EPS	Calculated by taking the profit after tax of the business pre-exceptional items divided by the weighted average number of shares in issue during the year.
Adjusted operating profit	Earnings before interest, tax and exceptional items.
Adjusted profit before tax	Calculated by taking the profit before tax of the business pre-exceptional items.
Adjusted tax	Calculated by taking the tax of the business pre-exceptional items.
EBITDA	Earnings before interest, tax, depreciation, amortisation and impairment. Please refer to note 1 for an understanding of how this metric has been affected by the implementation of IFRS 16.
EBITDAR	Earnings before interest, tax, depreciation, amortisation and rental costs.
Exceptional items	Those items that, by virtue of their unusual nature or size, warrant separate additional disclosure in the financial statements in order to fully understand the performance of the Group.
Free cash flow	EBITDA less working capital and non-cash movements (excluding exceptional items), tax payments, interest payments and maintenance capital expenditure.
Like-for-like sales	This measure provides an indicator of the underlying performance of our existing restaurants. There is no accounting standard or consistent definition of 'like-for-like sales' across the industry. Group like-for-like sales are calculated by comparing the performance of all mature sites in the current period versus the comparable period in the prior year. Sites that are closed, disposed or disrupted during a financial year are excluded from the like-for-like sales calculation.
Outlet EBITDA	EBITDA directly attributable to individual sites and therefore excluding corporate and central costs.
Net debt (IAS 17) basis	Net debt on an IAS 17 basis is calculated as the net of the long-term borrowings, less cash and cash equivalents, and unamortised loan fees.
Net debt (IFRS 16) basis	Net debt on an IFRS 16 basis is calculated as the net debt (IAS 17 basis) plus the IFRS 16 lease liabilities.
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.

Shareholder information

Directors
Debbie Hewitt MBE
Non-executive Chairman

Andy Hornby
Chief Executive Officer

Kirk Davis
Chief Financial Officer

Graham Clemett
Senior independent non-executive Director

Alison Digges
Independent non-executive Director

Alex Gersh
Independent non-executive Director

Zoe Morgan
Independent non-executive Director

Company Secretary
Jean-Paul Rabin

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