

Great brands, memorable experiences.



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



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Overview

FY22 highlights

- Robust trading performance in a challenging casual dining market
 - Wagamama, Pubs and Concessions like-for-like (“LFL”) sales all out-performed their respective market¹ benchmarks in FY22 (versus 2019 comparatives)
 - Customer ratings remain very strong across all brands
- Proactive cost management to mitigate ongoing inflationary pressures
 - Hedging of utilities² for FY23, FY24, FY25³ provided certainty on the cost base and at current prices⁴ are broadly in line with the spot market
 - Purchase of interest rate caps saving TRG c.£4m of cash interest annually (at current SONIA bank rates of 4%) and over £12m during the next three years
- Amended debt facilities with extended tenor and improved covenant package
 - Long-term funding in place with over four years tenor remaining; improved covenant arrangements and the ability to make further repayments
 - Substantial liquidity with c.£140m of cash headroom,⁵ having made £110m of term loan repayments during the year

Medium-term priorities

- Strategic plan developed to deliver significant EBITDA⁶ margin accretion over a three-year time horizon;⁷ targeting an improvement of 250bps to 350bps; driven by:
 - **Wagamama:** Continued UK new site expansion with improved commercial lease terms and good ongoing international opportunities
 - **Pubs:** Driving continued strong LFL sales growth based on strength of operating model and resilient core offering
 - **Leisure:** Proactive estate management and further rationalisation plan to improve future cash generation
 - **Concessions:** Restructuring actions taken during Covid driving strong LFL sales growth as passenger volumes recover; proactively renewing leases to maximise future earnings
- **Cost opportunities:**
 - Short-term contracts with food and drink suppliers to benefit from softening of inflation
 - Utilities deflation in FY24 and FY25 as per our hedging
 - Central cost efficiencies plan
- Target Net debt/EBITDA⁶ below 1.5x within three years

1 Market refers to Coffey Peach tracker for restaurants (Wagamama and Leisure benchmark) and Coffey Peach tracker for pub restaurants (TRG Pubs benchmark). Coffey peach LFL sales represent the weighted average of weekly LFL sales reported (internal calculation). UK air passenger growth used as market benchmark for Concessions.

2 Utilities relate to electricity and gas. This relates to own billed and managed sites and excludes landlord billed sites at shopping centres and airport concession sites.

3 Fully hedged for FY23 & FY24, 80% of volume hedged for Q1-Q3 FY25.

FY22 financial summary

(for the 52 weeks ended 1 January 2023)

- Total sales of £883.0m (2021: £636.6m)
- Adjusted⁶ EBITDA profit of £83.0m on a pre IFRS 16 basis (2021: £81.2m)
- Adjusted⁶ Profit before tax of £20.3m on a pre IFRS 16 basis (2021: £16.6m)
- Statutory loss before tax of £86.8m on an IFRS 16 basis (2021: loss of £35.2m)
- Net debt of £185.7m on a pre IFRS 16 basis (2021: £171.6m), Net debt/EBITDA⁶ at 2.2x (2021: 2.1x). Net debt on an IFRS 16 basis of £584.6m (2021: £582.0m)
- Net debt on an IFRS 16 basis of £581.7m (2021: £582.0m)

Current trading and outlook

- Very encouraging start to the year across all our divisions:

LFL sales (%) vs 2022 comparable for the 8 weeks from 2 January to 26 February 2023

TRG Division	TRG LFL sales	TRG VAT Adjusted ⁶ LFL sales
Wagamama	+2%	+9%
Pubs	+9%	+14%
Leisure ⁹	(4)%	+2%
Concessions	+48%	+56%

- Dine-in trends have been particularly strong:

LFL sales (%) vs 2022 comparable for the 8 weeks from 2 January to 26 February 2023

TRG Division	Total LFL sales	Delivery and takeaway LFL sales	Dine-in LFL sales	VAT Adjusted ⁶ Dine-in LFL sales
Wagamama	+2%	(17)%	+9%	+16%
Pubs	+9%	n/a	+9%	+14%
Leisure ⁹	(4)%	(17)%	(1)%	+5%
Concessions	+48%	n/a	+48%	+56%

- Delivery and takeaway LFL sales decline for Wagamama and Leisure in line with reduced demand across the delivery market
- Concessions sales recovery driven by improved passenger volumes with LFL sales broadly flat compared to 2019 levels

- FY23 Outlook:

- A very encouraging start to the trading year
- Cost outlook in line with previous guidance
- Management’s expectations for FY23 remain unchanged

4 Spot prices remain volatile. At spot prices as at the end of February, TRG is hedged at c.£4.5m adverse in 2023, c.£1.0m adverse in 2024 and c.£3.0m positive in 2025.

5 Cash headroom position as at 1 Jan 2023. Subject to minimum liquidity of £40m.

6 Pre IFRS 16 Adjustment and exceptional charges.

7 FY25 year-end run-rate.

8 VAT benefit boosted LFL sales by approximately 5 to 7% for the restaurant and pub sector in Q1 2022 (13 weeks to 3 April 2022).

9 Leisure includes Barburrito.

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

 **156¹**
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.

¹ This relates to UK full-service restaurants as well as three delivery kitchens. Trading estate as at 1 Jan 2023.




Brunning & Price
LIMITED

 **79¹**
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.

¹ Trading estate as at 1 Jan 2023.



trg
concessions

 **42¹**
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.

¹ Trading estate as at 1 Jan 2023.



Frankie & Benny's

 **87¹**
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".

¹ Trading estate as at 1 Jan 2023. Includes one site trading under the "est est" brand.



 **22¹**
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.

¹ Trading estate as at 1 Jan 2023.



 **3¹**
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.

¹ Trading estate as at 1 Jan 2023.



 **1¹**
Sites



 **3¹**
Sites

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

¹ Trading estate as at 1 Jan 2023.



 **17¹**
Sites

Barburrito is an award-winning Mexican style fast-casual restaurant chain, focused on serving fast, fresh and healthy Mexican food.

¹ Trading estate as at 1 Jan 2023.

Chairman's statement



TRG has a strong, pro-active management and leadership team who have steered the business very well through an extremely challenging period of significant macro-economic uncertainty and major structural change in the UK casual dining sector and positioned the group for medium-term growth.”

Having now been in the role for over 12 months, I have been able to spend considerable time familiarising myself with the business, visiting a number of our restaurants and pubs nationwide, speaking to colleagues across the Group and engaging with our shareholders. TRG is one of the UK's biggest hospitality businesses, a significant employer, and one of the few UK listed casual dining groups. TRG also has a strong, proactive management and leadership team who have steered the business very well through an extremely challenging period of significant macro-economic uncertainty and major structural change in the UK casual dining sector and positioned the Group for medium-term growth.

2022 was a challenging year for the casual dining sector as the industry “recovered” from the Covid-19 lockdowns in the previous two years and the travel industry started to rebuild passenger volumes. We entered the year with the Omicron variant still impacting our business, shortly followed by the war in Ukraine which significantly impacted utility and supply chain costs and resulted in increasing cost-of-living pressures for our customers.

In response to the challenging macro-environment, TRG took decisive management actions to provide certainty on its cost base where possible, by hedging our utilities until December 2024 and reducing our interest rate exposure through interest rate caps. With further improvements in the customer offer and various operational initiatives, the Group has delivered a robust trading performance in 2022. In December, the Group successfully amended and extended its debt facilities providing extended tenor, an improved covenant package and the ability to make further repayments as appropriate.



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

Whilst it is early days, the Group's trading performance in the first eight weeks of the current financial year (FY23) has been very encouraging. The management team have developed a clear plan to deliver significant EBITDA margin accretion over a three-year time horizon and the board continues to consider long-term strategic options.

Ken Hanna
Chairman

7 March 2023

¹ Utilities relate to electricity and gas. This relates to own billed and managed sites and excludes landlord billed sites at shopping centres and airport concession sites. Fully hedged for FY23 & FY24. 80% of volume hedged for Q1-Q3 FY25.

Business review



We have a clear plan to increase EBITDA margins over the next three years and deliver significant value for all our stakeholders.”

Introduction

Following on from the Covid-19 pandemic, 2022 was a year which presented new challenges for the business, primarily in the form of significant inflationary pressures which have impacted the entire casual dining sector. Through the actions we have taken over the course of the year, we have been able to navigate these cost pressures and now look forward with a greater degree of visibility on our key cost lines.

We have developed plans which are focused on achieving significant EBITDA margin accretion over a three-year time horizon, with a number of proactive initiatives now in place to drive the greatest value from our portfolio, expanding where we see attractive returns whilst effectively managing both pricing and costs.

We provide more detailed updates below:

Key updates in FY22:

1. Our diversified multi-brand portfolio
2. Navigating cost headwinds

Our medium-term priorities:

3. Investing in long-term growth opportunities
4. Proactive plan to deliver EBITDA margin accretion over three years

1. Our diversified multi-brand portfolio

Note: All LFL sales figures for FY22 quoted in this section are versus 2019 comparables.

Wagamama

Wagamama is the only UK pan-Asian brand concept of scale and is one of the UK's market-leading premium casual dining brands. The business has had a consistent and strong track record of market LFL sales outperformance pre-Covid. This continued in FY22, with Wagamama achieving LFL sales growth of 8%, representing a 3% outperformance versus the market. Customer ratings have remained excellent with the December 2022 external NPS scores (as measured by BrandVue) positioning Wagamama as the number one brand amongst casual dining chains in the UK.

This performance is underpinned by strong brand health and core operational drivers as follows:

- **Trend-led menu innovation:** The business continues to innovate in anticipation of future food trends with a focus on maintaining our 50% plant-based commitment whilst also protecting iconic Wagamama dishes. Vegan participation of sales has grown to 20% which has been supported by the launch of our plant-pledge and 50% plant-based menu. Additionally the business launched its gyoza ramen dishes over the winter, which have seen strong participation with the chicken gyoza ramen being the third most popular dish on the menu.
- **Unique colleague-centric culture:** The Wagamama business continues to be underpinned by a strong people culture which has been a key focus since the business started over 30 years ago. The business stands for radical inclusion which drives ethnically diverse teams (43% of our teams identify as non-white) and also benefits from strong restaurant leadership stability with a high average length of service (General Manager: 5 years; Head Chef; 7 years). This in turn drives strong unit economics and stability within teams.

Business review continued

- **Purpose-led marketing activity:** Wagamama has a focus on building relevant, distinctive marketing campaigns that look to drive short-term sales and long-term brand saliency. The business has a key focus on its purpose pillars of sustainability, mental health and radical inclusion whilst also driving relevancy in its marketing activations. A recent partnership example with Niko Omilana (a prominent YouTube influencer) helped to generate strong engagement and grew student penetration by 24% in 2022.

Pubs

Our Brunning & Price Pubs business is a premium food-led concept and also has had a consistent and strong track record of market LFL sales outperformance pre-Covid. The business delivered an exceptional performance in FY22, delivering LFL sales growth of 10%, representing an 11% outperformance versus the market. Customer sentiment remains strong with social media scores (consolidation of Google, Facebook and Tripadvisor scores) averaging approximately 4.5/5 for 2022, maintaining our highest rating over the past five years.

The core drivers that generate this consistently strong performance are:

- **Attractive customer demographics:** An average of 60% of the total population within a 15-minute drive time forming part of the higher income classes (A to C1), usually comprising at least a 25,000 total catchment population.
- **Defensible, well-invested locations:** Having sites situated primarily in rural and suburban locations (c.80%) with spacious layouts and limited competition nearby has been instrumental in the Group's ability to trade strongly. Over 60% of the Pubs estate benefits from having over 100 "external" covers.
- **Localised business model with strong execution:** The business model benefits from autonomy on menu selection at a site level which allows pubs to adapt their offering to local demand and the business benefits from strong retention and stability of its management team.

The business also benefits from strong asset backing with approximately 50% of our pubs being freehold. In August 2022, our freehold pub estate was valued at £160 million according to a third-party valuation commissioned by the Group.

Leisure

The business achieved flat LFL sales growth in FY22, 5% behind the market. The Leisure business is in a highly contested market segment and is the component of our portfolio most exposed to changes in wider consumer sentiment, and therefore Leisure's trading performance has been the most directly impacted by the cost-of-living pressures.

Despite the challenging trading backdrop, customer ratings remain strong with a 10% improvement in NPS achieved across Frankie & Benny's over the year and 5% for Chiquito (as measured by the Yumpingo platform).

The key drivers of this improved customer sentiment have been:

- **Continued investment in food & drink quality:** The number of core menu items was reduced by 15% to 20% for the winter menu launch which further supported our focus on improved food quality and dish execution. Drinks presentation has improved significantly with new glassware across our range including our popular cocktails.
- **Improved colleague engagement through our "Raise the Roof" programme:** Over 35% of our Leisure teams have now graduated through the programme driving a strong improvement in customer NPS and team engagement scores. 85% of our colleagues are happy in their role with over 80% recommending the business as a great place to work.

In response to the tough macro-environment, the Leisure business has proactively developed a further estate rationalisation plan in order to further enhance its cash generation. There is a good level of lease flexibility across the Leisure business and we plan to exit c.35 potentially loss-making locations over the next two years through a combination of exercising break clauses, lease expiries, selective conversions and accelerated disposals as follows:

- **Conversions:** One to three sites to be converted to Wagamama over the next two years
- **Lease events:** At least 13 sites will be exited at break clause or lease expiry
- **Freeholds:** Seven freeholds will be sold
- **Accelerated disposals:** Sites are being marketed for exit and we expect to dispose of 10-20 sites

Overall, as a consequence of the above actions, the Leisure estate is expected to reduce by c.30% from 116 sites today to 75-85 sites by 2024.

Concessions

The Concessions business recovered strongly during 2022 with all 42 sites open for trading during the peak summer season. The significant increase in demand over Easter created several operational challenges, not least the ability to recruit and retain sufficient team members in a highly competitive market. Our teams performed heroically against a tough backdrop to be ready for the busy summer trading period.

LFL sales declined by 13%, 10% ahead of the passenger volume decline of 23% over the year. Sales have benefited from a higher than anticipated recovery in passenger volumes as well as an increased average spend per passenger, partly through increased pricing to offset inflationary pressures and partly through increased dwell times.

The Concessions team are very well positioned to maintain strong momentum into 2023 and 2024 as the recovery in passenger numbers continues.

2. Navigating cost headwinds

TRG has a policy of proactive risk management ensuring we have certainty over our future cost base wherever possible. As announced at the Group's interim results on 8 September 2022, TRG chose to hedge utilities to achieve certainty in a highly volatile market.

At current spot utilities prices (which remain extremely volatile) TRG is currently hedged broadly in line with current spot prices.¹

As announced on 22 December 2022, in challenging market conditions TRG successfully secured debt financing for the next four years with improved covenant arrangements and has the ability to make further repayments as appropriate.

This is vital in a casual dining sector where debt financing has proven exceptionally difficult to achieve since Covid. The benefit from TRG's purchasing of an "interest rate cap" in 2021 means that, based on the current Bank of England base rate of 4%, the current cash saving is over £4 million per annum, or £12m over the term of the hedges.

3. Investing in long-term growth opportunities

Our Wagamama business has a track record of delivering strong returns on new sites and despite the near-term cost challenges we plan to selectively grow the business. In FY23 our development capital expenditure will be focused on growing Wagamama UK sites and supporting our US JV partners with their roll-out plans:

Wagamama UK: Our returns from openings over the last four years (20 sites opened during 2018-2021) excluding central London sites have continued to be strong and achieved ROIC of between 35 and 40% in FY22. The two central London sites we opened during this period have been impacted by the changes in working patterns affecting central London.

Our most recent regional openings in 2022 (six sites) have benefited from improved commercial terms and are expected to deliver ROIC² of c.40% in FY23. These new regional sites offer large virgin catchments with relatively low fixed costs, good incentives and strong brand awareness and demand.

These exceptionally strong returns achieved by our regional openings gives us confidence to continue to invest in our expansion programme despite the recent elevated level of inflationary pressure in utility and supply chain costs this year.

We have clear visibility of a profitable openings programme over the next three years with a healthy pipeline in place, and plan to open five sites in FY23 and a further five sites in FY24 and FY25 respectively.

Long-term ambitions include significant measured roll-out potential to expand in the UK to a targeted c.200 restaurants (from 156 today).

¹ Spot prices remain volatile. At spot prices as at the end of February, TRG is hedged at c.£4.5m adverse in 2023, c.£1m adverse in 2024 and c.£3m positive in 2025.

² ROIC refers to return on invested capital defined by outlet EBITDA/initial capex invested.

Business review continued

Wagamama US: Our US JV is a 20:80 partnership (with TRG as the minority investor) and the JV assumes full ownership of the operations of the US business. The JV therefore provides TRG with a capital efficient means for expanding the business in the US. TRG retains the option to repurchase the remaining 80% of the business starting in December 2027.

Our US JV partners have made good progress with the operations in the business with customer ratings having improved significantly and currently average 4.2/5 for FY22 versus 3.9/5 in FY21 (as measured by Yelp).

With regard to new site development, the JV is focusing its expansion plans in regions outside of New York and Boston, where the operating and property costs are significantly lower, and in the last six months has opened two new sites in Atlanta and Tampa. Whilst early days the overall performance across the two sites has been encouraging. Two further sites are due to open in FY23 in Dallas and Arlington. The JV Board will decide the precise scale of the future expansion plans but we would expect to be targeting an overall estate size of 25-35 sites by December 2027 (from the seven existing sites today).

Wagamama International franchise: We made good progress in our expansion plans in FY22 and opened seven new sites predominately in Italy and the Middle East. Going forward we expect to open five to eight new restaurants per year, representing a capital efficient way to expand the Wagamama brand internationally.

Pubs: Our expansion plan will resume when capital costs of quality pub assets moderate and new sites meet our returns thresholds. Our focus for the year ahead will be to continue to drive LFL sales growth with the core B&P model proving extremely resilient and exploring opportunities to increase our accommodation offering.

Concessions: We are proactively renewing leases in our existing estate and have renewed four leases in the last six months including two major sites at Heathrow and Gatwick. This activity maximises our future earnings stream from this business. Our restructured airport portfolio is now benefiting significantly from the recovery in air travel, with a significant acceleration in the sales performance of the Concessions business throughout FY22, with like-for-like sales now almost flat to 2019 sales levels. This augurs well for the continued anticipated recovery in passenger volumes in 2023 and 2024.

4. Proactive plan to deliver margin accretion over three years

Despite strong sales growth and rigorous central cost management, sector-wide cost inflation has caused a significant deterioration in TRG's EBITDA margin from a pro-forma 2019 EBITDA (pre-IFRS 16) margin of c.14% down to 9.4% in FY22. When accounting for the benefit from lower VAT in Q1 2022, the FY22 VAT Adjusted EBITDA (pre-IFRS 16) margin falls to 8.3%.

We have built a proactive plan to drive significant margin accretion from this 8.3% base, with the clear ambition to target an improvement of 250bps to 350bps over the next three years (i.e. FY25 year-end run-rate).

The core drivers will be:

- 1. Volume and pricing growth:** Continuous operational initiatives to drive customer footfall and selective price increases whilst preserving our value for money offer.
- 2. Cost opportunities:** Short-term contract extensions with suppliers in order to benefit from expected softening of inflation through 2023 and benefiting from deflation in our utilities costs in FY24 and FY25 due to our hedging. The Group will also target efficiencies it can achieve in its central cost base.
- 3. Portfolio mix:** The continued expansion of Wagamama, continuing to grow our Pubs business, the rationalisation of the Leisure estate and the earnings recovery from our Concessions business as passenger volumes continue to recover will all enhance the profitability mix of the Group over the next two to three years.

Summary

Despite the continuing inflationary pressures facing the sector, TRG is confident in our ability to deliver shareholder value:

- We delivered a robust trading and operating performance in FY22
- We have made a very encouraging start to trading in FY23
- The cost outlook is improving
- Medium-term strategic priorities:
 - Proactive plan to deliver significant EBITDA margin accretion
 - Target Net debt/EBITDA below 1.5x
 - Continue to review longer-term strategic options

Andy Hornby
Chief Executive Officer

7 March 2023

Financial review



Overall, the Group traded robustly in 2022, and we were particularly pleased with the sales growth in our Wagamama and Pubs divisions with their respective market outperformances in the year.”



In 2022, the Group was able to trade with limited restrictions from Q2 when the impacts of the Omicron variant had dissipated. Our Concessions business was able to fully reopen for trade from the second half of 2022 and benefited from a better-than-expected recovery of passenger volumes through Q3 and Q4. Overall, the Group traded robustly in 2022, and we were particularly pleased with the sales growth in our Wagamama and Pubs Divisions with their respective market outperformances in the year.

As has been widely reported the war in Ukraine triggered unprecedented cost pressures, particularly in elevated levels of food and drink and energy inflation. This coupled with shortages of labour supply in the UK and increasing National Living Wage, has led to a reduction in operating margins despite the strong sales growth delivered.

Statutory results

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

	Statutory results (IFRS 16)	
	52 weeks ended 1 Jan 2023 £m	53 weeks ended 2 Jan 2022 £m
Revenue	883.0	636.6
Operating profit/(loss)¹	(49.7)	11.8
Loss before tax¹	(86.8)	(35.2)
Loss after tax¹	(68.5)	(40.3)
Statutory EPS/(LPS) (pence) ¹	(9.0)p	(5.6)p

¹ Restated to remove business rates from closed site provisions.

Revenue for the year was £883.0m (2021: £636.6m) which represented an increase of 38.7% on the prior year. Revenue growth was driven by continued strong trading across our Wagamama and Pubs businesses along with the benefit from the reopening of international travel benefiting our Concessions business in a meaningful way from H2 2022. Our Leisure business, whilst achieving flat LFL sales growth underperformed the market, with the business impacted to some degree by the cost-of-living pressures on the UK consumer.

The statutory operating loss of £49.7m (2021: operating profit of £11.8m) was due to the impact of significant exceptional items of £117.5m (2021: £27.2m) which are explained further below. These exceptional items are primarily due to a non-cash impairment charge, as a result of lower forecast future earnings expectations, predominately in our Leisure Division, due to significant inflationary and cost-of-living pressures in the near term. Prior to the impact of exceptional items, operating profit was £72.7m (2021: £37.1m).

Net interest costs of £37.1m (2021: £47.0m) are significantly lower than the prior year due to the recognition of an exceptional gain in the period of £11.9m (2021: nil) on our interest rate caps. The interest rate caps limit SONIA rates to 0.75% until November 2025 on £125m of gross debt, and until November 2026 on £100m of gross debt. The interest cost prior to exceptionals was £42.0m compared to £45.1m in the prior year; the decrease in costs was mainly due to savings achieved from the early repayments of the term loan made during the year resulting in lower debt facilities, partially offset by the increase in SONIA rate on the floating debt.

Financial review continued

Alternative Performance Measures

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

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

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

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

	APM (Pre-IFRS 16)		APM (IFRS 16)	
	52 weeks ended 1 Jan 2023 PRE IFRS 16 £m	53 weeks ended 2 Jan 2022 ¹ PRE IFRS 16 £m	52 weeks ended 1 Jan 2023 IFRS 16 £m	53 weeks ended 2 Jan 2022 ¹ IFRS 16 £m
Revenue	883.0	636.6	883.0	636.6
Adjusted² EBITDA	83.0	81.2	147.2	115.2
Adjusted ² EBITDA margin	9.4%	12.8%	16.7%	18.1%
Adjusted² operating profit/(loss)	44.5	42.8	72.7	37.1
Adjusted ² operating margin	5.0%	6.7%	8.2%	5.8%
Adjusted² profit/(loss) before tax	20.3	16.6	30.7	(8.0)

¹ Restated to remove business rates from closed site provisions.

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

Adjusted EBITDA (pre-IFRS 16) for 2022 is £83.0m (2021: £81.2m). The improvement in EBITDA was due to strong sales growth across our Wagamama, Pubs and Concessions businesses, which was partially offset by the significant cost inflation experienced across labour, cost of goods sold and utilities during the year.

The Group made a profit before tax and exceptionals (pre-IFRS 16) for the year of £20.3m (2021: profit £16.6m).

Refinancing

During December 2022, the Group successfully completed an amend and extend of its existing debt facilities. As part of the refinancing the Group repaid £20.9m of the term loan in order to reduce ongoing interest costs while maintaining significant cash headroom. The Group's debt facilities now comprise the following:

- A £220m term loan with over five years to run through to April 2028; and
- A £120m super senior revolving credit facility with over four years to run through to March 2027 with the option of a one-year extension to March 2028.

The revised covenant package provides additional covenant headroom for the Group until March 2025. For the FY23 financial year, the Group's net leverage covenant (as measured on a pre-IFRS 16 basis) is set at 5.0x for the June 2023 covenant test (previously 4.5x) and 4.75x for the Dec 2023 covenant test (previously 4.0x).

The revised facilities provide the Group with an extra two-year term, an improved covenant package over the next 18 months and the ability to make further repayments as appropriate.

Capital allocation framework

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

Priorities	Parameters
(1) Investment in customer offer	Refurbishment and maintenance capex within a range of £20m to £30m per annum
(2) Maintain a strong balance sheet	Target leverage ¹ below 1.5x within the next three years
(3) Wagamama and Pubs new site expansion	Deliver against targeted returns criteria: <ul style="list-style-type: none"> • Wagamama >35% ROIC • Pubs >20% ROIC

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

Cash flow and net debt

Net debt on an IFRS 16 basis has remained flat from £582.0m to £581.7m in the year. The lease liability component of this was £396.0m (2021: £410.4m), a reduction of £14.4m. This reduction was due to payments made during the year of £59.8m, which was partially offset by the following main drivers:

- New leases signed with a lease liability of £19.5m
- Interest on lease liabilities of £17.7m
- Remeasurements of lease modifications of £13.9m, relating to items such as lease renewals

The pre-IFRS 16 net debt component (i.e. bank debt) has increased from £171.6m to £185.7m, an increase of £14.1m. Free cash flow reduced to £39.4m (2021: £44.7m). In the year there was a material increase in working capital due to the VAT rate reverting to 20% from Q2 but this was offset by an increase in maintenance and refurbishment capex of £36.6m (2021: £19.0m). The increase in capital expenditure related to a catch-up on refurbishment spend relating to our Wagamama, Pubs and Leisure businesses, following two years of disrupted trading due to Covid.

Development expenditure of £21.6m (2021: £14.9m) related primarily to opening eight new Wagamama restaurants and two new pubs including the freehold purchase of a new pub due to open in FY23.

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

	2022 £m	2021 £m
Adjusted EBITDA (pre-IFRS 16 basis) ¹	83.0	81.2
Working capital and non-cash adjustments	14.3	5.7
Operating cash flow ²	97.3	86.9
Net interest paid	(21.3)	(20.6)
Tax (paid)/received	–	(2.6)
Refurbishment and maintenance expenditure	(36.6)	(19.0)
Free cash flow	39.4	44.7
Development expenditure	(21.6)	(14.9)
Acquisition of Barburrito	(6.2)	–
Movement in capital creditor	(1.5)	(1.0)
Utilisation of onerous property cost provisions	(8.3)	(6.0)
Exceptional costs	(8.6)	(15.0)
Proceeds from issue of share capital	–	166.8
Proceeds from disposals	0.8	–
Other items	(1.4)	–
Cash movement	(7.4)	174.0
Net debt (pre-IFRS 16 basis)		
Group net debt brought forward	(171.6)	(340.4)
Derecognition of finance lease liability (IFRS 16 transition)	–	–
Non-cash movements in net debt	(6.7)	(5.2)
Group net debt carried forward (Pre IFRS 16 basis)	(185.7)	(171.6)
Incremental lease liabilities (IFRS 16)	(398.9)	(410.3)
Group net debt carried forward (IFRS 16 basis)	(584.6)	(582.0)

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

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

Financial review continued

At year-end, the Group had cash headroom of £139.2m (2021: £258.1m), consisting of £111.5m of undrawn revolving credit facilities (2021: £111.6m) and a cash balance of £27.7m (2021: £146.5m), which provides the Group with significant liquidity to fund both the operations of the Group and future new openings for both our Wagamama and Pubs businesses. The primary driver of the reduction in the cash balance during the year relates to £110m of repayments made on our term loan facility.

This strong financial position and substantial liquidity enables the Group to navigate the near-term sector challenges with key cash flow items for FY23 outlined in the table below:

	FY22 actuals	FY23 guidance
Disciplined and flexible capex programme	£58m	£40m to £45m
Cash interest costs	£21m	£21m to £22m
Working capital inflow	£14m	£5m to £10m
Onerous lease cost	£8m	£10m to £12m

- **Capex FY23:** refined our investment plans to invest between £40 and £45m. We will focus on maintenance expenditure across our businesses and selective refurbishments, with new openings expenditure predominantly within our Wagamama business.
- **Cash interest costs FY23:** costs expected to be in line with FY22, with the c.£21m repayment of debt facilities in December 2022 offsetting the increase in SONIA bank rate.
- **Working capital FY23:** expect an inflow due to improved payment terms across key suppliers and ongoing benefit from further revenue growth.
- **Onerous lease costs FY23:** expected to increase due to additional onerous lease provisions at certain sites, predominately within our Leisure Division.

Tax

The tax credit for the year was £18.3m (2021: charge of £5.1m), summarised as follows:

	2022			2021		
	Trading £m	Exceptional £m	Total £m	Trading £m	Exceptional £m	Total £m
Corporation tax	–	–	–	0.7	(0.7)	–
Deferred tax	6.1	(23.2)	(17.1)	(2.6)	10.3	7.7
Total current year tax	6.1	(23.2)	(17.1)	(1.9)	9.6	7.7
Adjustments in respect of prior years	(1.2)	–	(1.2)	(2.8)	0.2	(2.6)
Total tax (credit)/charge	4.9	(23.2)	(18.3)	(4.7)	9.8	5.1
Effective tax rate (excl. prior years adjustments)	20.0%	19.8%	19.7%	23.8%	(38.6%)	(23.4%)
Effective tax rate	16.1%	19.8%	21.1%	53.8%	(39.4%)	(16.7%)

Exceptional items

An exceptional pre-tax charge of £117.5m has been recorded in the year (2021 restated: £27.2m); these costs in the main relate to the reduced forecast earnings within our Leisure Division and the subsequent planned restructuring.

Exceptional items predominately relate to:

- Impairment of assets of £113.9m (2021: £25.9m). The impairment charges relate to the impact of reduced trading expectations and near-term inflationary pressures, primarily relating to certain sites in our Leisure business. The IFRS right-of-use asset impairment is £60.4m with the remaining charge being property, plant and equipment.
- An Estate restructuring charge of £6.8m (2021: £1.8m) relating to the planned accelerated disposal of certain leisure sites and remeasurement for existing closed sites.
- Write off of previously capitalised loan fees on the amend and extend of the existing debt facilities and new fees incurred on the amend and extend deal of £7.0m (2021: £1.9m).
- Recognition of an exceptional gain made on the interest rate caps of £11.9m (2021: nil).

The tax credit relating to these exceptional charges was £23.2m (2021: charge £9.4m).

Cash expenditure associated with the above exceptional charges in the year was only £8.6m (2021: £7.4m) relating principally to onerous lease payments and business transformation costs. In total, there is a £1.7m cash inflow relating to exceptional charges due to the £11.9m gain on the interest rate caps. The remainder of the exceptional items were non-cash in nature.

Given that the Group has made a statutory loss in both the current and prior periods, the effective tax rate is not indicative of future expected tax rates. It is also worth noting that the Group has further statutory losses and interest restrictions worth £31.0m which will reduce future cash tax payments over the next two to three years.

The effective adjusted tax rate for the year was 16.1% compared to the 53.8% in the prior year. In the current year, the adjusted tax rate is below the main rate as there are one off accelerated allowances. Excluding the one-off benefit, the effective tax rate is 23.6% (2021: 23.8%). Consistent with prior years, the tax rate is higher than the UK corporation tax rate due to non-deductible expenses primarily relating to depreciation on non-qualifying assets.

The current year exceptional tax credit of £23.2m consists of £5.1m credit relating to the change in tax rate from 19% to 25% which increases the value of the deferred tax liability and the balance are tax credits from the exceptional costs.

Key inflationary themes FY23

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

All inflation figures below are stated as their incremental impact in FY23 vs FY22 post mitigating activities

- **Labour market pressures:** the continued shortage of labour across the UK is leading to upward pressure on wage rates in addition to the significant increase in the National Living Wage (NLW) from April 2023 of 9.7%. Wage inflation is expected to be between 8 and 10% as a result of this in FY23.
- **General food and drink inflation:** driven by global commodity markets it is expected that cost inflation of 10%+ will be experienced in FY23 with inflation moderating through H2.
- **Utilities inflation:** Given extreme volatility in the utilities markets, we have hedged 100% of our volume in FY23 & FY24 to gain certainty on this element of cost inflation. In addition, we are 80% hedged for the first three quarters of FY25.

The table below shows the inflationary impact on our utilities balance post this hedging activity:

Inflationary impact post hedging (FY23 vs FY22)	Inflationary impact post hedging (FY24 vs FY23)	Inflationary impact post hedging (FY25 vs FY24)
Costs expected to be £7m to £8m higher in 2023 vs 2022	Costs expected to be £3m to £4m lower in 2024 vs 2023	Costs expected to be £4m to £5m lower in 2025 vs 2024

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

- Continue to deliver a reduction in labour turnover to improve retention through better recruitment and onboarding
- Working with our supply chain partners to lock in short-term contracts in order to benefit from reduced inflation as the year progresses
- 100% of electricity and gas volume hedged⁵ for 2023 and 2024 and 80% hedged for the first three quarters of FY25, providing certainty over our costs and locking in deflationary savings in FY24 and FY25
- Conducting a review of our central cost base as part of our three-year margin accretion plan

⁵ This relates to own billed and managed sites and excludes landlord billed sites at shopping centres and airport concession sites.

Financial review continued

Going concern

The Directors have adopted the going concern basis in preparing the Annual Report and Accounts after assessing the Group's principal risks including current macro-economic headwinds relating to the cost-of-living crisis, elevated levels of inflation and utility market volatility. In conducting their review, the Directors have concluded that the Group, and Company, have sufficient liquidity and covenant headroom for the going concern review period to 31 March 2024.

The Group has substantial liquidity with £139m in cash and cash equivalents, or available facilities at the balance sheet date. Following an amend and extend in December 2022 these facilities are committed until at least March 2027. The facilities consist of a £220m term loan and a £120m RCF. Further details of the Group's debt facilities and covenants are in Note 15 to the accounts.

Whilst the Group has had an encouraging start to the year, with current trading above forecast, the Directors remain cautious about the ability for our customers to continue their current level of spending in our restaurants and pubs whilst their cost-of-living crisis continues and specifically the unprecedented increases in UK household energy bills. In preparing the "base case" forecast for the period of going concern to 31 March 2024, the Directors have assumed that sales volumes would moderate marginally throughout the period from current levels and have included the impact of inflation at its current elevated levels throughout 2023 and then a moderation of inflation in 2024. In this forecast, available liquidity does not drop below £104.5m compared to a minimum liquidity covenant of £40m, and Senior Secured Net Leverage does not exceed 2.9x against a covenant of no more than 5.0x.

In addition, the Board has considered a "stress case" scenario where sales volumes have been further reduced by 5% across all divisions and with the benefit of 1% incremental price, the net impact on sales is assumed to be 4% below the base case. In this "stress case" scenario following management mitigation, which includes the ability to further increase our selling prices, conduct a central cost reduction program and to refine our uncommitted capital expenditure plans, liquidity falls to a minimum of £89m, and Senior Secured Net Leverage increases to 3.4x but still within the covenants of the Group's banking facilities.

The Board have also considered a reverse stress case to determine the level by which sales volume would need to fall from the "base case" before there is a risk of a leverage covenant breach, which is the most sensitive covenant. Pre-mitigating actions, the level of sales volume decline compared to the base case is 7.4%. Following mitigating actions, that are completely within management's control, which includes the ability to increase selling prices, conduct a far more extensive central cost reduction program and further refinement to capital expenditure plans the level of sales volume decline compared to the base case increases to 14.6%.

The Board considers this level of sales volume decline over a sustained 12 month period as remote due to current trading (in the first eight weeks) being ahead of the base case, the current economic outlook from both the Bank of England and the International Monetary Fund is for a shallow recession in 2023 and that during the last economic recession the Group only experienced a modest sales decline of less than 2% in 2009 compared to the prior year and less than 1% in 2010 when compared to 2009.

However, if this level of sales volume decline was experienced on a sustained basis, the Group would take further decisive actions which is within its control to reduce further both its operating costs and capital expenditure to mitigate the potential risk of a covenant breach. Furthermore, the Directors would also engage with its lending group for covenant waivers, which were provided during the pandemic given similarly extreme circumstances.

As a result of the above analysis, where the base and stress cases show adequate liquidity and leverage covenant headroom and the level of sales volume decline required in a reverse stress case to risk a covenant breach is considered remote, the Board has a reasonable expectation that the Group, and Company, have adequate resources to continue in operational existence for the period to 31 March 2024. On this basis, the Directors continue to adopt the going concern basis of preparation.

Viability statement

In accordance with provision 31 of the UK Corporate Governance Code (July 2018) (the “Code”), the Directors have assessed the viability of the Group over a three-year period to December 2025.

The Directors believe that three years is the appropriate time-period over which to evaluate long-term viability, and this is consistent with the Group’s current strategic planning process. Management have prepared, and the Board has considered two key scenarios:

- A “base case” where the business is trading normally but the current macro-economic climate has been considered for each of labour, cost of goods sold and utilities inflation. Specifically, the Group has forecast like-for-like sales growth to varying degrees across the divisions when compared to 2022. Cost inflation of c.10% is forecast in 2023 but then reducing significantly in 2024 and 2025 to c. 4% excluding utilities which is forecast to reduce in line with the hedges that were put in place. The Concessions business is forecast to return to pre-pandemic levels of passengers in 2025 in line with current air passenger forecasts.
- A “stress case” whereby the Company is more significantly impacted by the cost-of-living crisis assumes sales are further reduced by 4% in 2023 and based on a more significant impact from the recession, but then recovers to similar levels of trading through 2024 and 2025.

As detailed in the Risk Committee report, the Board has conducted a robust assessment of the principal risks facing the business. The resilience of the Group to the impact of these risks has been assessed by the creation of the “stress case” which management believe to be a severe but plausible scenario based on past experience (see Principal Risks and Uncertainties in the annual report). Taking account of the Company’s current position, principal risks facing the business and the sensitivity analysis discussed above, as well as the potential mitigating actions that the company could take, and the experience that the Company has in adapting the business to change, the Board expects that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period of assessment. The Board also noted that the Group’s debt facilities extend beyond the period of the viability assessment. Further details on the forecast process and assumptions can be found in Note 1 to the accounts.

Kirk Davis
Chief Financial Officer

7 March 2023

Section 172 statement

Background

The Companies (Miscellaneous Reporting) Regulations 2018 require Directors to explain how they have considered the interests of key stakeholders and the broader matters set out in section 172(1)(a) to (f) of the Companies Act when performing their duty to promote the success of the Company under section 172. This statement provides details of the Board's activities in this respect during the year. For more details on how the Group as a whole manages its relationships with stakeholders and obligations to the wider community and environment, please see the Environment and Social report on pages 18 to 34.

Regular Board activities

s.172 consideration

Board actions

(a) the likely consequences of any decision in the long term	Under its terms of reference and schedule of matters reserved, the Board has explicit responsibility for setting the objectives and strategy of the Group, focused on its long-term, sustainable success and on generating value for shareholders and benefits for other stakeholders and wider society. Each year, for example, the Board reviews and considers the strategy and three-year plans of its key business divisions as well as reviewing the strategic direction of the Group as a whole.
(b) the interests of the Company's employees	Under its terms of reference, the Board is responsible for setting and monitoring the culture of the Group. In addition, health and safety statistics are a standing item on Board agendas, while the results of the annual Employee Engagement process are presented to the Board annually and discussed in depth.
(c) the need to foster the Company's business relationships with suppliers, customers and others	Customer satisfaction scores and customer engagement metrics are considered by the Board as part of its review of individual division strategies throughout the year. The CFO meets with the top five suppliers on a rolling basis to ensure our strategic plans are aligned. The Company engages with peers through its membership of UK Hospitality and the Zero Carbon Forum.
(d) the impact of the Company's operations on the community and the environment	The Board receives an annual update from the CEO as Chair of the Company's Preserving the Future Steering Committee, whose members also include the CFO, the divisional CEOs/MDs and the functional directors and which is responsible for the delivery of the sustainability and climate change agenda. It meets once a quarter to provide direction and review progress.
(e) the desirability of the Company maintaining a reputation for high standards of business conduct	The Company has clear policies and processes covering Anti-Bribery and Corruption, Whistleblowing and other ethical issues, which are reviewed and approved by the Audit Committee and the Board annually and published on the corporate website. Any potential and actual conflicts of interest at Board level are all recorded, monitored and managed by the Legal & Governance function.
(f) the need to act fairly as between members of the Company	The Chair, CEO and CFO regularly meet shareholders while individual Committee Chairs maintain a dialogue with shareholders on issues such as remuneration outcomes and policy. The Company does not have different types of shares, with different voting or capital rights, and all shareholders can attend the AGM and question the Board directly.

Major decisions in 2022

Barburrito acquisition

In June 2022, the Board considered and approved the acquisition of the Barburrito chain of fast-casual Mexican restaurants. As part of their discussions, the Directors reviewed the long-term prospects of the business as part of the Group as well as the more immediate prospective EBITDA and PBT contributions, noting that even with the current headwinds faced by the hospitality industry it was expected to be an immediate net positive contribution to the Group, but also have the scope for future expansion.

The Board also considered the impact on staff of the business and how they would be integrated into the existing Leisure and Concessions structure, noting that the key operational team were being retained post acquisition. Directors also noted the brand's customer proposition and the broad and diverse nature of its customer base – its offer of freshly prepared food made with quality ingredients while also providing value for money was aligned with current customer trends. It also had a strong vegetarian offering and a customisable menu.

Relevant section 172 categories: (a), (b), (c) and (d)

Refinancing

In December 2022, the Board reviewed and approved a refinancing that amended and extended the Group's debt facilities. The intention had been to secure additional tenor and maximise covenant flexibility while also reducing the cost of the debt facilities. The revised package that was secured consisted of a £220m term loan facility and a £120m revolving credit facility with the Group's existing lenders, providing an additional two years of debt facilities. The package also provided additional covenant headroom for the Group until March 2025 and saw a £21m repayment on its existing facilities.

The Directors considered the impact of agreeing the amendment and extension on all the Group's stakeholders. Taking into account their duties as set out in section 170-177 of the Act, the Directors concluded that it was in the best interests of the Group and all its stakeholders, and most likely to promote the success of the Group as a whole, for the Company and the relevant subsidiaries to enter into the refinancing agreement.

Relevant section 172 categories: (a) and (b)

Environmental and Social report

Non-financial and sustainability information statement

The Companies Act 2006 requires the Group to disclose certain non-financial reporting information within the Annual Report and Accounts. The required disclosures can be found on the following pages in this report:

Information on environmental matters

Page 19-21 and in our TCFD report from page 26

Information on our employees

From page 22

Information on social, community and human rights matters

Page 21 to 24

Information on anti-corruption and anti-bribery

Page 25

Information on diversity

Page 25 and in the Corporate Governance report on page 38 to 39

As in 2021 we have compiled a Sustainable Accounting Standards Board (SASB) report. The SASB framework consolidates a set of widely recognised metrics and can be found in the Governance section of our website: www.trgplc.com/governance/policies

TCFD recommended disclosures:

Recommendations	Reference	Consistency
Governance		
a) Board oversight	Page 26	Consistent
b) Management's role	Page 26	Consistent
Strategy		
a) Climate-related risks and opportunities	Page 26 to 28	Consistent
b) Impact on business, strategy and financial planning	Page 29	Partially consistent ¹
c) Resilience of strategy	Page 29 to 32	Consistent
Risk management		
a) Risk identification and assessment processes	Page 32	Consistent
b) Risk management processes	Page 32	Consistent
c) Integration into overall risk management	Page 32	Consistent
Metrics and targets		
a) Climate-related metrics	Page 33	Consistent
b) Scope 1, 2 and 3 GHG emissions and related risks	Page 33 to 34	Partially consistent ²
c) Climate-related targets and performance	Page 33	Partially consistent ²

1 Our disclosure is partially consistent with Strategy (b), as we have not yet developed a detailed transition plan, and are working to embed climate-related risks and opportunities more comprehensively into financial planning and strategy development.

2 It is also partially consistent with Metrics and targets (b) and (c) as we continue to improve our scope 3 footprint in accordance with the GHG protocol, and have not yet developed interim targets.

Environmental and Social Report

Our Preserving the Future Programme

TRG is a responsible business, and we are determined to play our part in helping to address the significant environmental and social challenges we currently face as a society. This starts in our own operations, but by working closely with our suppliers, partners and customers, we can have a positive impact that spreads far beyond our restaurants.

Driving forward our ESG agenda is a strategic priority for the Group, and we launched our Preserving the Future Programme in 2021. The programme aligns to a number of the UN Sustainable Development Goals as well as key stakeholder priorities, and has senior executive level sponsorship, a Steering Committee that meets quarterly, with representation from divisional and functional leaders, and a dedicated programme lead. This provides strong governance and oversight and ensures that our environmental and social initiatives are prioritised across the Group.

We have been active members of the Sustainable Restaurant Association (SRA) since 2017 and in 2021/22 we were proud to achieve 3 stars (the highest rating) in its Food Made Good programme for our Wagamama, Brunning and Price, Leisure and Concessions divisions. This was significant progress on

our 2019 ratings. Food Made Good is the world’s largest food service sustainability programme providing a recognised industry standard for measuring sustainability across the hospitality sector. The assessment focuses on areas across Sourcing, Society, and the Environment. Areas where we performed strongly across all of our brands included use of renewable energy, sourcing fish responsibly, and supporting global farmers (the majority of tea, coffee, sugar, and exotic fruit is certified to a recognised standard, e.g., Rainforest Alliance or Fairtrade for coffee).

We were a founding member of the hospitality sector Zero Carbon Forum, a non-profit industry collaboration of UK hospitality businesses, with a common aim to decarbonise our sector. As a founder member and co-chair of the emissions working group for Scopes 1 and 2, we play an active role in developing sector wide plans to reduce emissions and are committed to the Zero Carbon Forum goal to achieve net zero by 2040. We recognise that by collaborating and aligning action with our peers, we can amplify our impact and achieve net zero more quickly and cost effectively. We have revised our own net zero target to 2040 to maximise emissions reduction and collaboration benefits within the sector and to align to best practice regarding offsetting only residual emissions.

Our Preserving the Future Programme is structured under 3 pillars:

 Conserving Resources in our Own Operations	 Working with Partners on our Sustainability Journey	 Supporting People and Communities
<ul style="list-style-type: none"> • Maintain renewable energy for directly contracted supplies • Improve our energy and water efficiency • Reduce waste • Improve the sustainability of our packaging 	<ul style="list-style-type: none"> • Engage with suppliers and distributors to reduce emissions across our supply chain • Sustainable and responsible sourcing practices • Sustainable restaurant design and fit outs 	<ul style="list-style-type: none"> • Care for our customers and communities • Care for our colleagues • Foster a representative, diverse and inclusive environment

Conserving Resources in our Own Operations:

In our own operations, where we have direct control, we place a strong focus on conserving resources and reducing emissions, including buying renewable energy, improving our energy and water efficiency, reducing waste and continually improving the sustainability of our packaging.

Energy

TRG is aligned with the hospitality sector Zero Carbon Forum ambition to mitigate operational emissions (Scope 1 and 2) by 2030. We have implemented a 3-step strategy to achieve this:

- **Reduce:** Reduce and control emissions through investment in technology and behavioural initiatives

- **Renew:** Move to renewable energy for directly controlled supplies (all direct supplies on our national contract)
- **Rebalance:** Offset residual emissions through carbon removal projects

Reduce: In 2022 we continued to embed our energy saving culture, with regional leads and restaurant-based sustainability champions driving engagement and promoting site-level energy reduction through behavioural initiatives. These include site visits, best practice sharing and regular calls with outlier sites, Fire Up guidance, which sets out the specific time to switch on individual pieces of equipment, and Save While You Sleep campaigns, which focus on reducing energy usage during non-trading hours. In 2022 our teams were set a challenge of 5% reduction in energy usage (like-for-like sites) vs 2019 (the most recent year of full trading), which was achieved. In 2023 we will continue to focus on reducing and controlling energy use.

Environmental and Social report continued

In 2022 we piloted a number of tech-enabled energy efficiency solutions across refrigeration, smart building controls, cellar cooling and washroom efficiency, some of which showed encouraging energy savings in the initial pilot phase. We plan to further extend some of these trials across our estate in 2023. We are also working with suppliers to ensure we use energy efficient equipment in our restaurants for new fit outs and replacement equipment.

Renew: In Q4 2021 we moved to renewable electricity and biogas for all direct supplies on our national contract, to reduce the intensity of emissions and move away from fossil fuels. All volumes purchased are covered by a Renewable Energy Guarantee of Origin (REGO) certificate or a Renewable Gas Guarantee of Origin (RGGO) certificate and are reflected in our market-based emissions footprint. New sites are added to our national contract on expiry of existing contracts. For sites that do not have a grid gas connection (for example some of our Pubs sites), we purchase bio-LPG.

Through the activities described above to reduce and renew our energy, we achieved a 91% reduction of Scope 1 and 2 emissions in 2022 vs 2021, using a market-based emissions calculation that takes into account the renewable energy that we purchase. See page 34.

Rebalance: We have invested in carbon removal reforestation projects to offset residual Scope 1 and 2 emissions, which include F-GAS and any new and rogue supplies not yet moved to our national contract, as well as the reconciliation of feedstock on bio gas. Our carbon offsetting projects are Verified Carbon Standard (VCS) certified, and we have ensured carbon removal rather than avoidance.

Water

Water is an essential resource for our operations, but we recognise that water stress in the UK is increasing as a result of climate change. We measure and report our water consumption on directly billed sites as part of our SASB disclosure, and our environmental policy sets out our commitment to minimise water use whilst maintaining operational viability, and the hygiene needs of guests and team members. In 2022 we commenced a pilot of a water conservation technology.

Waste

We are committed to reducing waste and increasing recycling in our operations. For sites where we control the waste streams, 100% of our waste is diverted from landfill and 56% is recycled. This is achieved by segregating where possible food, card, co-mingled dry mixed recycling, and glass. We are working with our waste partner to increase the percentage of waste recycled. Our non-recycled general waste is used to create energy.

Food waste reduction: in 2022 we worked closely with the Sustainable Restaurant Association on food waste. Plate waste audits and interventions carried out on trial sites across the Group in 2021-2022 showed the potential for a 20% reduction in plate waste per cover, mainly from ensuring the correct portioning of carbohydrates (e.g. chips and rice).

We are working with the Sustainable Restaurant Association on a food waste strategy, with the aim to reduce food waste in line with the WRAP reduction roadmap (a UK industry-wide roadmap and toolkit developed to help the UK food industry achieve UN Sustainable Development Goal 12.3).

In 2022 we reviewed our processes around cooking oil to ensure we were minimising waste and preventing the changing of cooking oil too frequently.

Packaging

Delivery accounted for 13% of TRG's revenue in 2022 and we are committed to continuous improvement in the sustainability of our delivery packaging.

We removed plastic straws from the business in 2020 and have moved to wooden cutlery for deliveries. Cutlery is only provided when customers request this on their order.

In 2022 Wagamama launched new delivery packaging bowls made from cPET (a recyclable material made from at least 70% recycled content). The bowls are smaller to reduce materials and ensure dishes fill the bowl. The new packaging material make-up is the result of advice from leading plastic experts, including from the UK Recycling Association, UK waste collectors, suppliers, and product designers, and as a result of this change, the packaging of Wagamama's most popular dish, the katsu curry, is now 62% less carbon intensive.

Alongside the new packaging launch, Wagamama also launched its bowl return initiative "Bowl Bank", created in response to the varied practices of the UK waste streams, which allows customers to return their packaging to their local restaurant to ensure it is recycled.

Our Leisure brands use mainly cardboard and paper delivery packaging, and we are working with suppliers to phase out any remaining plastic. For example, in 2022 we completed a successful trial of a cardboard hot box which uses a water-based lining rather than plastic, which we are now testing further in the business.



Working with Partners on our Sustainability Journey

Engaging with suppliers and distributors to reduce emissions across our value chain

As a founding member, we have worked closely with the Zero Carbon Forum to develop the high-level industry roadmap to net zero. We subsequently worked with an external consultancy to develop our own specific roadmap, including the identification of levers, such as supply chain engagement initiatives, climate sourcing policies and menu evolution to address our emission hotspots, which are primarily in food and drink purchases.

In 2022 we invested in climate change and sustainable procurement training for our entire procurement and supply chain team and hired a dedicated Procurement ESG Manager to lead our supplier decarbonisation programme. Additionally, from 2023, all individuals within the procurement team will have sustainability objectives.

We have completed an initial segmentation of our suppliers to strategically prioritise our engagement approach. We are now surveying our high-priority suppliers to understand their decarbonisation plans and targets, collect supplier-specific emissions data, and identify opportunities to reduce emissions. To minimise administrative effort for our suppliers while supporting a collaborative approach to supplier engagement, our surveys are aligned to the sectoral guidance provided by WRAP.

Sustainable and responsible sourcing practices

We are committed to responsible sourcing throughout our supply chain, ensuring our customers get good-quality, high-welfare, and sustainable food on their plates. We are a member of the Supplier Ethical Data Exchange (Sedex), which facilitates measurement and improvement in ethical and responsible practices across the supply chain. We require all our suppliers to be registered and risk assessed with Sedex. All suppliers must:

- Sign up to and meet the requirements of our Responsible Sourcing Policy and other relevant policies.
- Upload their Modern Slavery Act policy as part of their onboarding and ongoing review.
- Be certified to the British Retail Consortium Food Safety Global Standard or GFSI equivalent, or working towards this. We work closely with smaller, local suppliers to support them on their journey to achieving GFSI certification, ensuring that in the meantime they are fully compliant with all other requirements of our policies.

We conduct routine supplier visits and audits to ensure our suppliers are operating to our high standards. Once approved, suppliers are plotted on a risk assessment matrix to determine the frequency of ongoing audits and visits required to ensure the safe supply of product to TRG. Any non-conformances raised as part of an audit require evidence of corrective action to be submitted.

During our supplier visits, Technical Scorecards are completed and Supplier KPIs monitored. Suppliers are actively encouraged to drive a Continuous Improvement Culture in all categories measured by our Technical Scorecard.

We are committed to sourcing sustainable fish, which is achieved through:

- Sourcing Marine Stewardship Council (MSC)-certified fish rated 3 or below
- For farmed fish and seafood, only sourcing from GLOBALG.A.P or BAP 2-star or higher certified farms
- Reviewing the Good Fish Guide every six months when it is published and modifying our menus to remove any fish classified as “avoid” in terms of purchasing
- Where tuna is used it is dolphin friendly

We work with our suppliers and farmers (both UK and non-UK) to reduce and control unnecessary antibiotic use in farm animals. All our Wagamama, Leisure and Concessions beef steaks and burgers are from UK and Irish farms reared to Red Tractor or Bord Bia welfare standards, the Irish equivalent of Red Tractor.

All supplier farms must have in place policies and standards that reflect UK/EU legislation as a minimum, even if they are located outside of the EU, and farms must have in place policies and standards that reflect the principles of the Five Freedoms as adopted by the Farm Animal Welfare Committee and detailed below:

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

All shell eggs used in our restaurants are free range. Furthermore, we are committed to ensuring that eggs used as an ingredient in our UK supply chain will be cage-free or free-range by the end of 2023 at the latest. We are also committed to working with our partners to ensure that 100% of our eggs (shell, liquid, and egg products) will be from cage-free sources throughout our global operations for all owned, managed, and franchised businesses by the end of 2025. In 2020 the Group signed the European Better Chicken Commitment supported by Compassion in World Farming with the goal to source all chicken to this standard by 2026.

Nature and deforestation

Palm oil

Where palm oil is used as an ingredient in our products, it is Roundtable on Sustainable Palm Oil (RSPO) certified, and suppliers are required to provide certification evidence. We have embarked on a palm oil removal programme to remove palm oil from our products. A small number do not have a feasible alternative currently, but we are monitoring these and will remove as alternatives become available.

Soy

We are committed to sustainable sourcing and recognise the need for action to address the challenges associated with the production of soy. We require all soy used in our ingredients to be sustainably sourced, and where suppliers source soy from South America we require Round Table on Responsible Soy (RTRS) certification. We are also working to ensure that soy used as animal feed in our supply chain is sustainable and traceable.

As part of our engagement with suppliers to reduce emissions across our supply chain, we require information on soy used in animal feed. During 2023, we plan to expand our supplier engagement activities to consider more nature and biodiversity-related information.

Environmental and Social report continued

Sustainable restaurant design and fit outs

We already routinely re-use and refurbish furniture, signage, catering equipment and lighting across our sites, and we aim to increase this further. Our pubs use a significant amount of reclaimed furniture.

We have assessed our Wagamama fit-out guides against the SKA criteria, and we are looking to develop our guides with regard to these standards and further improve the sustainability of our restaurant design.



Supporting People and Communities

Care for our customers and communities

Health and safety

The health and safety of our customers and employees is of paramount importance to us. The Group has extensive procedures to ensure we mitigate risks to our customers and teams as far as possible, with clear procedures and standards in place.

During 2022, safety continued to be high on our agenda and we ensured our colleagues were fully trained and supported on general legislation and Group safety policies. This was measured and audited throughout 2022 to ensure we continued to support and protect our colleagues and customers. We completed colleague surveys across the Group and our colleagues overwhelmingly confirmed their confidence in the TRG focus on safety and protection of our colleagues and customers.

The Health and Safety Policy and working manuals in place are under constant review to take into account business practice changes. Updates to the policy are deployed through training programmes and manager briefings and are documented on our learning management systems. All employees also undergo refresher training at intervals to cover compliance requirements and refresh team understanding.

Compliance is measured through a combination of external third-party audits and internal audits. Site managers are responsible for completing due diligence checks on a daily, weekly and monthly basis, with regards to health and safety standards.

Food safety

At year-end 2022, over 99% of our restaurants and pubs scored 4 stars or above (including pass ratings in Scotland) where rated under the Food Hygiene Rating Scheme, a sign of excellence in both food safety and hygiene, with 94% at 5 stars (or a pass rating in Scotland). We continue to invest significant time and resources in health and safety matters across the Group, to further enhance the clean, safe environment for our customers and colleagues.

We continue to undertake extensive work on food safety risks (including allergens and other dietary intolerances) and menu-allergen risk reduction and training. Our teams “ask about allergy” on every order, to allow a proper discussion about allergy and intolerance needs and how these can be serviced. We conduct supplier visits and audits to ensure suppliers are operating to our high standards (see responsible sourcing section on page 21)

Reporting of injuries at work

In 2022, the Group reported 68 accidents under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 2013, with no deaths or dangerous occurrences. This compares to 48 in 2021 and 35 in 2020 for the Group. During 2020 and 2021, trading was impacted by Covid lockdowns.

Allergens

Our pubs and our Frankie & Benny's and Chiquito restaurants offer a Coeliac UK-accredited gluten-free menu to cater for those with Coeliac Disease. The menus offer a range of classic dishes including gluten-free burgers, pastas, pizzas, and fish and chips. Wagamama has a non-gluten menu and has innovated to provide more non-gluten choices.

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

Initiatives to reduce the allergen risk profile in our dishes have continued, with further allergy removal across ingredients and menu so that a wider range of our dishes are now entirely allergy free. For example, in 2022, we removed gluten from peppercorn sauce, and celery from beef chilli and veg chilli in Leisure and Concessions restaurants. In Wagamama we removed nuts and peanuts from the main dish menu (with them only remaining in desserts) and removed celery from all Wagamama menus.

Serving alcohol responsibly

We operate Challenge 25 in England, Wales and Northern Ireland. We continue to support Drinkaware, whose campaign promotes responsible drinking. We offer a wide range of alcohol-free beers, low-alcohol wine, mocktails, soft drinks, juices and milkshakes.

Nutrition and health

We are committed to offering a healthy choice for our customers. The nutritional balance of menus is incorporated into the menu design process, and we have an ongoing programme of activity to reduce salt, sugar and calories across our menus. For example, our work in 2022 to reduce salt from high volume lines to meet the 2024 Public Health England salt reduction targets has resulted in the removal of 1.6 tonnes of salt. Our brand standards are developed to ensure that all additives used are in line with industry best practice.

As in previous years, there continue to be no genetically modified foods or trans fats in any of our products, and we have banned artificial colours that cause hyperactivity in children from all our products served to children. In 2022 we made healthy changes to our Frankie & Benny's and Chiquito children's menus. All meals on the children's menu for these brands are served with a veggie pot of cherry tomato, cucumber, and pepper sticks.

We will continue to focus on improving the nutritional and health profile of our menu items in 2023, and have formed a Nutritional Health project group to work on this.

We continue to expand our vegan/plant-based menus and support the Veganuary campaign. Our vegan menus in Frankie & Benny's, Chiquito and Wagamama are certified by the Vegan Society and our food development teams across our brands work closely with plant-based suppliers to develop plant-based dishes that will delight our customers. Wagamama launched its first vegan menu in 2017 and has continually innovated its plant-based offering. This remains a huge focus for Wagamama, and the menu has been 50% plant-based since October 2021.

Our communities

Through a combination of colleague-led fundraising, Company- matched programmes, and contributions from our retail product range, we raised over £300,000 for charity and non-profit organisations in 2022 across our divisions, including nearly £50,000 to various disaster and emergency charities in support of Ukraine.

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

The Group continues to support Only A Pavement Away, an industry charity committed to supporting homeless ex-offenders and our veterans who are struggling to get into work or find housing. Only A Pavement Away continues to work closely with other charities such as Crisis and Help For Heroes. We are committed to support by offering jobs and careers and helping facilitate their Life Skills Hub programme.

Wagamama continue their partnership with Young Minds, dedicated to supporting young people's mental health. We also supported various local community charities that support disadvantaged families, including Baca, Medway Culture and Fare.

Leisure and Concessions continue their relationship with Mind, which was chosen by our colleagues. Mind offers online and face-to-face mental health support and education. A year-long programme of activities was completed throughout the UK, with funds raised being matched by the Group. In addition, the partnership with Pennies continues to flourish, with our Leisure businesses raising approximately £50,000 through Pennies and staff site fundraising in 2022. Concessions will introduce this programme in 2023. Concessions continue with their support of School Club Zambia, a charity that the team have been aligned with for over 20 years.

The Pubs division have also partnered with the Burnt Chef Project, who offer leadership awareness and support with mental health training. In conjunction with Burnt Chef, Wellbeing ambassadors have been trained to support the team on a day-to-day basis. Rather than a divisional approach, our Pubs teams focus on activities and fundraising with local, community-based charities. Several pubs and restaurants also supported local community charities across a number of causes, including children's cancer, youth housing and meals for the homeless.

Care for our colleagues

Our people

We believe that a great customer experience is key to our business success and therefore our most important asset is our people. As of December 2022 we employed approximately 18,000 people. Our teams are passionate about the food and drink they serve and support each other to ensure the best customer service in all of our restaurants and pubs, taking huge pride in their work. We truly embrace diversity and employ colleagues of almost 60 different nationalities.

Our Colleague Engagement Steering Group is chaired by one of our Non-Executive Directors and focuses on engagement-related initiatives across the divisions. A Group-wide team engagement survey was completed in 2022 with more than 10,000 of our team submitting their feedback (over 70% of those invited took part). Our team were hugely positive with year-on-year improvements confirmed across each category and division. Our team felt supported with their mental health, and over two-thirds felt they had opportunities to succeed and grow, and that we were committed to our social and environmental agenda. Across the Group on average, 70% of our team felt proud to work for us, and that they were supported by their manager and colleagues.

Colleague support

In 2022 we focused on supporting our colleagues with their mental and physical wellbeing. We focused on providing honest, supportive and consistent communication to all colleagues and continued to enhance our app-based communication and engagement tools, ensuring all colleagues were able to receive and share both personal and Company updates. We saw very high levels of usage across our teams. Health and wellness were our core focus, ensuring we nurture our colleagues and give them the support they need, particularly in areas of physical, financial, and mental health. These platforms are also utilised to promote internal and external activities, run competitions, and drive positive engagement across our colleague community.

We further enhanced our employee assistance provision to ensure the information was accessible via an app 24/7 and that, wherever requested, face-to-face counselling is available for all of our team. Mental health training was delivered to over 500 leaders in our restaurants and pubs.

Environmental and Social report continued

To increase retention levels and improve colleague satisfaction, additional benefits and rewards programmes were introduced. We previously extended our discount policies for all employees in the Group, regardless of division, with 30% food and drink discounts for all colleagues, and an additional allowance for shift meals. Across each division, bespoke reward and recognition initiatives have been appreciated and our colleagues have been fully engaged. In 2022, online discounted Rewards portals were introduced and enhanced across each division. Recognition platforms were trialled in Leisure and Concessions and almost 60,000 pieces of recognition were awarded during 2022, through a combination of online and offline methods, for example thank you messages, awards, vouchers and thank you cards.

As cost-of-living pressures increased in the UK, we implemented various support schemes for our teams and their families, for example by increasing shift food allowances for our teams to up to £24 per day. In Wagamama and Leisure and Concessions, our family and friends discounts were increased to 50%. Wagamama introduced free meals for children of team members from Monday to Friday. Leisure and Concessions gave each team member £50 for a free family meal. All divisions ensured our team were aware of support charities available to help with any financial crisis, education on how to reduce energy spends and food costs. We recommunicated our salary finance benefit, which offers early access to earned wages.

We continued to offer a Save As You Earn share option scheme in 2022, which all colleagues with more than one month's employment were invited to join. Employees can purchase TRG shares at a discounted price after saving each month for three years.

Building our team

The recruitment market for the hospitality sector continues to be significantly affected post-Brexit and the Covid-19 pandemic. During Covid many hospitality workers changed careers or left the country, with the pool of potential candidates severely diminished. Across our sector, many businesses were unable to fully trade due to the lack of team members, particularly kitchen staff and chefs, throughout 2022.

We have continued to drive recruitment through our online platforms and channels, investing further in adverts and paid search terms, and we have run open days to reach more candidates and invested in our talent acquisition teams. Our ratio of applications per job role increased across each division and job level. We gained from the upweighting and focus on our social media channels; this was especially evident in Wagamama due to the average age of their team. In our Concessions division, we saw our colleague numbers grow by 50% between May and September as the business fully reopened. Across the Group we have continued to invest in several chef-led apprenticeship programmes to continue to build our teams.

Our team development

In 2022 we continued to enhance our learning and development with a Group-wide online platform. We focus on our on-the-job learning to help support the development of our colleagues, complemented with e-learning, increased face-to-face delivery, and virtual learning, all delivered by our dedicated brand and Group learning and development teams.

All new managers in our restaurants are enrolled in the manager in training and leadership programmes. This gives a structured pathway to be successful leaders with us. The programme covers all aspects of operational management, focusing heavily on leadership skills, all being underpinned with the culture, behaviours and values of the Group.

Development of our internal talent continues to be high on our agenda through multiple development programmes. Each division develops internal career paths to ensure we give each of our team the opportunity to grow into leadership roles; we aim to achieve a minimum of 50% internal appointments for each of our management vacancies. In 2020, we enhanced our colleague induction programme, ensuring everyone across the Group completes role-specific e-learning modules and face-to-face courses, not only to meet legislative requirements but also to enhance their development and career path opportunities.

Apprenticeship programmes and investing in our employees' development are at the very heart of our learning programmes. All of our internal development programmes are aligned with our apprenticeship programme, providing a flexible and personalised approach to development and progression across the Group. We offer a suite of apprenticeships across all roles, ensuring that from entry level through to Director we are supporting progression, with kitchen team development our main priority. With a higher proportion of younger people joining hospitality (in 2022 a significant proportion of our new team were 16-21 year olds), our entry-level programmes are critical so that our colleagues can continue their education with TRG. We work alongside various external companies who support young people with the transition into employment. Our wide range of apprenticeships run from level 1 through to level 7. During 2022, 350 colleagues were participating in or completed an apprenticeship, with an average learning period of 18 months.

We continue to evolve our apprenticeship programme to align with the needs of our colleagues, offering bespoke schemes for those looking to progress in hospitality but also for those who wish to learn a skill independent of their role or career path, i.e. project leadership, marketing or HR (CIPD) qualifications, this is available for all with the aim of progressing to our Head Office/support roles.

Foster a representative, diverse and inclusive environment

Our employment commitments

The Restaurant Group is committed to being a fair and inclusive employer. Employment with the Group offers everyone equal rights and career development and promotion prospects, and our recent colleague engagement survey confirmed a huge majority of our colleagues felt they had equal opportunities regardless of age, race, gender, sexual orientation, disability or religion, with over 80% of respondents across all our divisions agreeing with this statement. We ensure as far as possible that the diversity of our teams reflects the diversity of the customers we serve. We continue our commitment to improve our Equality, Diversity and Inclusion (EDI) with focus on a number of key areas, including development programmes for our management/leadership teams in anti-racism and gender identity. We focus our team to ensure all are respectful and understand that discrimination is not tolerated.

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

We will continue to work with our EDI ambassadors to build mentoring and reverse mentoring schemes. In our support centre and throughout the Leisure and Concessions division we have launched a calendar of activity to celebrate our team's diversity with an aim to increase representation from those communities that are currently under-represented. Having reviewed the Group's position on diversity, the Colleague Engagement Steering Group agreed to align each division's reporting methods more closely to allow more consistent monitoring of diversity issues across the Group. A core set of internal diversity metrics was agreed, focusing on ethnicity, gender and disability.

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

Details relating to the gender diversity of our employees are contained in the Corporate Governance report on page 38.

We are committed to paying our colleagues fairly and equitably for the roles they are doing. Our most recent Equity Pay Audit shows that we have a high level of consistency in pay, with men and women being paid fairly and equitably remunerated when performing the same role. Our audit also showed that men tend to dominate the higher-paid roles, driving our gender pay gap. We are taking action to address this, including through initiatives such as the "women of Wagamama" group within Wagamama, and flexible working to give teams more flexibility to fit work around other life commitments and improve female representation in back of house roles.

The Group pays all of its colleagues at least the National Minimum Wage (or for the over 23s the National Living Wage) appropriate to their age. Tips are not included in this rate, and all gratuities are additional to their hourly rate and are paid directly to colleagues. Cash tips are self-declared, and only tips paid by credit card have tax deducted by the Company. In addition, no administration fee is charged by the Company.

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

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

Anti-bribery and corruption

It is our policy to conduct all our business in an honest and ethical manner. We take a zero-tolerance approach to bribery and corruption and are committed to acting professionally, fairly and with integrity in all our business dealings and relationships. All colleagues must declare all hospitality or gifts given or received over a certain minimum value, and all expense claims relating to hospitality, gifts, or payments to third parties must be submitted in accordance with our expenses policy, and the reason recorded for that expenditure. Anyone offered, or asked to make, a bribe or who suspects any bribery or corruption has occurred is obliged to notify the Company Secretary without delay. So far as we are aware, there were no incidences of bribery or corruption during 2022.

Task Force on Climate-related Financial Disclosures (TCFD)

Introduction

While we are working hard to reduce the impact that we have on the environment and society (see Environmental and Social report from page 19), we recognise the need to consider the implications for our business from climate-related issues over the short, medium and long term. In compliance with Listing Rule 9.8.6 R, we have included climate-related financial disclosures consistent with the TCFD recommendations, which are outlined below. To align with these recommendations, we have updated our business processes where needed. This is an iterative process, and we are committed to continuous improvement.

Governance

a) the Board's oversight of climate-related risks and opportunities

b) management's role in assessing and managing climate-related risks and opportunities

The Board

The Board has overall responsibility for strategy and risk management and monitors how we are responding to any climate-related risks and opportunities identified through our risk management process. The Board also receives updates on our Preserving the Future ESG Programme, which includes climate-related initiatives, and is one of the Group's strategic priorities.

Board Committees/management

The Board delegates some of its responsibility to the following Board Committees and management committees/groups:

- The Audit Committee is responsible for reviewing and approving our TCFD disclosures, and has been delegated responsibility for the regular review of our principal risks and for our risk management procedures.
- The Remuneration Committee is responsible for reviewing and setting remuneration policy, including how ESG factors are included in performance targets.
- The Risk Committee, which is chaired by the CFO and includes all of the functional directors, as well as the Head of ESG Programme, is responsible for governance over the Company's risk management processes, monitoring and assessing the effectiveness of the risk management systems and reporting on risk management to the Audit Committee. The climate risk and opportunities register was developed during 2022 and is now a standing item on the quarterly Risk Committee agenda.
- The Preserving the Future SteerCo, which includes the CEO, CFO, divisional CEOs/MDs and functional directors, is responsible for the delivery of our sustainability and climate change agenda, and meets once a quarter to provide direction and review progress.
- Dedicated Preserving the Future workstreams aligned to our existing functions have been set up to support delivery of our Preserving the Future strategy and targets.

Strategy

a) Climate-related risks and opportunities identified over the short, medium and long term

Climate change will present both risks and opportunities to our business in the short, medium and longer term, in the form of physical and transition risks and opportunities. For example, our supply chain may be impacted by extreme weather events such as flooding, droughts or heatwaves. As we transition to a low-carbon world, we may face transition risks such as increased climate-related regulation, or changing consumer preferences, with corresponding opportunities to grow our business through successfully addressing these. Our climate risk register was created in 2022 by our ESG function, using input from the business and external sources, and further developed through the scenario analysis exercise undertaken with external support (see risk management section on page 32 for further details on how climate-related risks are identified and assessed).

Time horizons used and rationale

Short	0-3 years to align with viability statement
Medium	3-7 years to capture transition risks and opportunities
Long	7 years+ to capture physical risks and opportunities and align to our longer-term liabilities

Financial impacts

The financial impact ranges used are aligned with those used in our Group risk management process.

High	Material impact on profitability at Group level
High-med	Moderate impact on profitability at Group level, or material impact on specific areas of the business
Low-med	Limited impact on profitability at Group level or moderate impact on specific areas of the business
Low	Very limited impact on profitability at Group level or limited impact on specific areas of the business

Risks and opportunities

Time horizon	Transition/physical & risk/ opportunity type	Description	Mitigating actions being taken/considered as part of strategy development	Potential financial impact (post mitigation)
Short/Medium/Long	Physical – Acute	Risk of higher sourcing costs/supply issues for ingredients caused by increased extreme weather events impacting harvests	<ul style="list-style-type: none"> • Dual sourcing and multiple geographic origins of key ingredients to improve resilience • Suppliers working on climate-resistant crops 	High-medium impact (negative)
Short/Medium/Long	Physical – Acute	Risk of increased extreme weather events (e.g. heatwaves, flooding) in the UK causing reduced footfall/ restaurant closures and impacting staff travel and wellbeing	<ul style="list-style-type: none"> • Maintaining a portfolio of brands that are differently impacted by weather events such as heatwaves • Flood risk assessments on new sites 	High-medium impact (negative)
Short/Medium/Long	Transition – Market	Risk of a lack of suppliers who can meet our decarbonisation requirements e.g. emissions data collection, shift to renewable energy/ shift to regenerative agriculture	<ul style="list-style-type: none"> • Aligning with industry initiatives around data collection and supplier engagement (e.g. WRAP, Zero Carbon Forum) • Working with suppliers to support decarbonisation initiatives • New sourcing requirements introduced gradually and in consultation with suppliers 	Low impact (negative)
Short/Medium/Long	Transition – Reputation	Risk of failure to align with climate-aware customers' expectations re sustainability	<ul style="list-style-type: none"> • Improving sustainability of packaging (see page 20) • Wagamama 50% plant-based menu • Working with suppliers to improve sustainability of ingredients 	Low-medium impact (negative)

Task Force on Climate-related Financial Disclosures (TCFD) continued

Time horizon	Transition/physical & risk/opportunity type	Description	Mitigating actions being taken/considered as part of strategy development	Potential financial impact (post mitigation)
Long	Transition – Policy & Legal	Risk of the introduction of carbon tax in the future raising cost of higher-emission products (e.g. beef)	<ul style="list-style-type: none"> • Cost of high-emission products would be considered within pricing strategies and passed on where relevant • Continued development of plant-based options on our menus • Working with suppliers to reduce emissions 	Low-medium impact (negative)
Short/Medium/Long	Transition – Products/ Services	Opportunity to attract more climate-aware customers embracing plant-based and locally sourced food	<ul style="list-style-type: none"> • See actions above (against risk of failure to align with climate-aware customers' expectations re sustainability) 	Revenue opportunity
Short/Medium/Long	Transition – Resource efficiency, resilience	Opportunity to reduce emissions and energy costs through investment in energy efficient equipment/ energy saving measures	<ul style="list-style-type: none"> • Piloting and rolling out proven technology to reduce energy usage • Working with suppliers to source the most efficient equipment 	Cost opportunity
Short/Medium/Long	Transition – Resource efficiency	Opportunity to reduce emissions and cost by reducing waste	<ul style="list-style-type: none"> • Working with SRA on reducing food waste 	Cost opportunity
Short/Medium/Long	Transition – Resource efficiency	Opportunity to attract and retain employees who want to work for a company that is taking positive action on climate and other ESG issues	<ul style="list-style-type: none"> • TRG developing sustainability priorities across the Group 	Employee brand enhancement – cost benefit

b) Impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning

The impact on our business of climate-related risks and opportunities, and the interdependencies between these and other risks impacting our business are considered as part of the group's risk management process and determination of principal risks, as described in the risk management section on page 32. Climate-related risks and opportunities are considered in the development of our Preserving the Future Programme, which is a strategic priority for the Group. We outline below how our Preserving the Future Programme addresses climate-related issues. As a UK company, in developing our programme, we have also considered the carbon commitments of the UK Government (2050 net zero target) as well as our sector.

Preserving the Future Commitment

How our Preserving the Future Programme addresses climate-related issues

Reduction in carbon emissions	<p>We are aligned with the UK hospitality sector Zero Carbon Forum 2040 target and roadmap to support our transition to a low-carbon economy. In Q4 2021 we moved to renewable energy across all direct supplies on our national contract. All volumes purchased are covered by a Renewable Energy Guarantee of Origin (REGO) certificate or a Renewable Gas Guarantee of Origin (RGGO) certificate. This led to a 91% reduction in GHG emissions within our own operations vs 2021 (market-based). We have activity ongoing to continue to reduce our energy use (see pages 19 to 20).</p> <p>Our supply chain emissions make up c.90% of our total footprint and we are working with suppliers and the wider industry to reduce these (see pages 20 to 21 for more details). We have worked with an external consultancy to identify top-down decarbonisation levers, and as we engage with suppliers, we will develop a more detailed understanding of our path to net zero.</p>
Improve our water efficiency	<p>Water is an essential resource for our operations, but we recognise that water stress in the UK is increasing as a result of climate change. We measure and disclose water consumption as part of our SASB reporting and our environmental policy sets out our commitment to minimise water use whilst maintaining operational viability, and the hygiene needs of guests and team members. In 2022 we commenced a pilot relating to water reduction technology.</p>
Reduction in waste	<p>Reducing waste also results in reduced GHG emissions. We are working closely with the Sustainable Restaurant Association to develop our strategy to tackle food waste.</p>
Improved sustainability of our packaging	<p>Actions we are taking to improve the sustainability of our packaging are reducing carbon emissions. In 2022 we developed and rolled out a new packaging solution for Wagamama, which is projected to eliminate up to 330 tonnes of virgin plastic per year and reduces the carbon intensity of the packaging for our most popular dish, Katsu curry, by 62%. We also launched a Bowl Bank return scheme to assist our customers in recycling their delivery plastic.</p>
Sustainable and responsible sourcing practices	<p>The production of certain imported commodities, in particular palm oil and soy, has been linked with deforestation, biodiversity loss and climate change. We are committed to responsible sourcing and to removing unsustainable ingredients and raw materials from our products. All suppliers must ensure that all the palm oil used in our products is produced in an environmentally, economically and socially sustainable way. We use Roundtable on Sustainable Palm Oil (RSPO) certification for palm oil used in our products. All soy should be sustainably sourced and we are working to ensure that soya used as animal feed in the supply chain is sustainable.</p>

Financial planning

As part of the Group's annual budget and three-year planning process climate-related issues are considered and, if appropriate, their impact is built into our financial plans. As part of the 2023 budget process the Group is expecting to see elevated levels of commodity inflation, which is in part due to the extreme weather experienced in 2022 having an adverse impact on crop yields and leading to higher commodity prices. In addition, there has been a significant increase in renewable energy levies charged within non-commodity costs relating to energy that will lead to increased costs from Q4 2023.

c) Resilience of strategy, taking into consideration different climate-related scenarios, including a 2-degree or lower scenario

To improve our understanding of the potential climate-related risks and opportunities under different scenarios we have worked with an external specialist to undertake qualitative scenario analysis. This work informed the further development of our climate risk register, and will feed into our future strategy development and business planning.

Task Force on Climate-related Financial Disclosures (TCFD) continued

Approach to qualitative scenario analysis

Our scenario analysis exercise qualitatively considered one transition scenario and one physical scenario out to 2030. Exploring the potential impacts under a transition scenario in which there is rapid decarbonisation, and a physical scenario in which there is rapid warming, enables us to “stress test” our business operations and strategy against a plausible, yet challenging variety of future outcomes. The time horizon to 2030 is relevant for TRG business planning and strategic decision-making, whilst capturing a period over which the impact of climate-related risks is expected to become more pronounced.

Our analysis looked at our four operating segments: Wagamama, Pubs, Leisure and Concessions, for which the climate risks are broadly similar, as well as at our supply chain. TRG colleagues from each of the four business areas were engaged in sessions to review and assess the potential risks and opportunities, and the strategic response options for their respective business areas. The financial implications of the identified potential material impacts were discussed, to qualitatively assess the resulting impact on revenue, or expenditure, and the assets and liabilities, capital and financing at Group level. This enabled us to assess the resilience of TRG under the two pathways explored.

Scenario assumptions

Assumptions for each scenario were built from the following two authoritative third-party sources. The scenarios include a 2°C or lower scenario, in line with the TCFD recommendations.

- Sustainable Development Scenario, International Energy Agency, World Energy Outlook 2021 – a pathway where warming is limited to 1.65°C by 2100
- Representative Concentration Pathway (RCP) 8.5, Intergovernmental Panel on Climate Change, Fifth Assessment Report (AR5) – a pathway where warming exceeds 4°C by 2100

Scenario assumptions overview

Scenario	Transition	Physical
Primary source	Sustainable Development Scenario (SDS) International Energy Agency World Energy Outlook 2021.	Representative Concentration Pathway 8.5 Intergovernmental Panel on Climate Change Fifth Assessment Report (AR5).
Scenario description	Below 2-degree transition scenario Transformation of the global economy, and rapid changes beyond current UK and global pledges, to limit warming to 1.65°C by 2100. Increased efforts to realise near-term emissions reductions, including comprehensive changes to policy, regulation, technology and markets by 2030.	High level of physical impacts scenario Low ambition or effectiveness of global action to constrain emissions and mitigate climate change results in >4°C warming by 2100. Acute and chronic physical impacts of climate change are more pronounced by 2030 and continue to increase significantly beyond this time.
Time horizon	2030	2030
Policy and regulation	Comprehensive policy changes to limit warming to 1.65°C, including mandatory decarbonisation measures affecting buildings, equipment, and transport. Carbon pricing expands to all advanced economies.	Existing policies with no significant further changes. Existing and planned carbon pricing.
Technology	Acceleration of innovation and technical improvements to enable the transition to a low- carbon economy, including improved technology efficiencies.	Technology changes only in response to more pronounced impacts of physical climate change, including increase in cooling requirements (air-conditioning).
Society and behaviours	Some behaviour change, including partial shifts toward lower-meat diets, increased public transport use and participation in recycling.	Behaviour change in response to more pronounced impacts of physical climate change, such as changes to recreational preferences during heatwaves.
Environment	Less severe weather events.	Increasingly severe weather events.
Common assumptions	TRG business operations and business model remain broadly unchanged, except for implementation of the business’s strategic priorities. TRG suppliers, customer base and workforce remain steady and broadly unchanged, except for growth associated with meeting the strategic priorities.	

Summary results of scenario analysis

Our analysis identified potential material impacts (risks and opportunities) to the business under the transition and physical scenarios. Our assessment of materiality was guided with reference to the criteria used in the Group risk management process. The key findings for each scenario are summarised below.

Transition scenario

The most material risks to our business identified under the transition scenario are:

- **Introduction of carbon pricing, including for shipping and high-emission items (meat, dairy).** Resulting in an increase in cost to source products from long-distance supply routes, and to source high-emission product categories, impacting on the cost of signature dishes across our brands.
- **Mandatory building and equipment efficiency measures.** Requiring increased investment to replace all or part of our kitchen cooklines with more efficient models across our estate; and to implement building efficiency measures at our owned Pub sites.
- **Consumer behaviour change: a shift toward lower-emission diets, including reduced meat consumption.** Resulting in an initial decrease in revenue for brands with fewer plant-based options, and an increase for Wagamama, which has a strong plant-based offering. Investment may be required to establish new plant-based brands or reformulate existing menus.

Our current mitigations and potential strategic responses to the identified risks include:

- An increased cost of high-emission products due to carbon pricing would be considered within our pricing strategies and passed on where relevant. We are working with suppliers to support decarbonisation initiatives and develop lower carbon ingredients, and have a dedicated supply chain ESG resource in place to identify opportunities for supply chain carbon reduction.
- We have undertaken work to understand a range of energy efficiency opportunities and implementation options. Measures implemented to date include LED light bulb installation, upgrading to more efficient fryer kits as these are replaced, and an energy consumption review system to flag and address abnormal site energy usage.
- We gradually evolve our menus over time as consumer preferences change, and Wagamama is a vegan-friendly brand with a 50% plant-based menu. We would have the option to develop to cater to customer preferences, drawing on existing expertise from Wagamama's menu innovation and the creation of new online delivery brands. We also have the option to explore alternatives as these become available, such as lab-grown meat and alternative proteins.

In this scenario, the most significant impacts would be seen in our financial performance through increased capital and operating expenditure. Compliance with mandatory building and equipment energy standards is the primary driver for a net increase in capital expenditure, to reduce carbon and cost across our site operations. There would be a net increase in operational expenditure from increased costs of sourcing products, due to carbon pricing, and higher rent and service charges for new sites/renewals due to costs potentially passed on by landlords for implementation of mandatory efficiency measures. These potential increases in operational expenditure may be partially offset by a reduction in ongoing cost of operations, with reduced energy consumption achieved via efficiencies from building and equipment upgrades.

This assumes limited action is taken to mitigate risks. There are opportunities within this scenario, that include:

- **Consumer behaviour change toward lower-emission diets.** Wagamama benefits from growth in the plant-based market, with increased revenue, market share and enhanced brand value.
- **Rapid technological advancements and improved efficiencies.** All parts of the business benefit from increased operational efficiencies, particularly a decrease in ongoing energy costs, following the initial investments required. There are also opportunities for on-site energy generation solutions across the Pubs estate.

Physical scenario

The most material risks to our business identified under the physical scenario are:

- **Increased incidence of extreme weather events globally, impacting food production and supply.** Resulting in lower availability and higher sourcing costs, due to increased cost to source alternatives in response to supply disruptions and due to wider market price changes.
- **Increased high temperatures and drought in the UK.** Resulting in increased energy usage costs for cooling and refrigeration requirements, and investment required to install and upgrade HVAC systems across the estate. There would be a reduction in revenue at Wagamama and Leisure sites during hot weather, due to negative impacts on customer footfall and trading, and a positive impact on Pubs.
- **Increased extreme weather events, heavy rainfall and flooding in the UK.** Resulting in reduced revenue at Wagamama and Leisure and Concessions during extreme weather events, due to negative impacts on delivery trade. There would be a potential increase in loss of trade at a very small proportion of our Wagamama and Pubs sites that are at higher flood risk, due to temporary site closures from flooding.

Task Force on Climate-related Financial Disclosures (TCFD) continued

Our current mitigations and potential strategic responses to the identified risks include:

- We operate a dual sourcing model and are establishing as many multiple supplies as possible (multiple geographical origins of key ingredients to improve supply chain resilience). Our purchasing team tracks and budgets for the impact of low-yield harvests, and we are exploring climate-resilient crop varieties with suppliers.
- During hot weather, our Leisure sites run menu promotions to attract customers. We have the option to evolve menus to shift toward warmer climates, drawing on existing expertise of Wagamama menu evolution at franchise sites in the Middle East. We also have the option to install air-conditioning across sites that do not have this already.
- Our new site selection criteria include consideration of flood risk.

In the physical scenario, the most significant impacts would be seen in our financial performance due to both increased expenditure and reduced revenue. Revenues could be negatively impacted during increased extreme weather events, which will negatively affect delivery trade, whilst more frequent hot weather is likely to have a negative impact on Wagamama and Leisure trading. The primary drivers for increased operational and capital expenditure are energy costs for increased cooling and refrigeration requirements, costs for HVAC installation and repairs, and higher sourcing costs due to food production and supply chain disruptions.

This assumes limited actions are taken to mitigate risks. There are opportunities within this scenario, which include:

- **Increased incidence of heatwaves in the UK.** A positive impact on footfall and trading in Pubs, with gardens and shaded areas provided for customers. This may be beneficial up to extreme temperature thresholds at which trading is then negatively impacted. In addition, milder winters would be broadly beneficial to trading across our business.

Assessment of resilience

Under both scenarios, the timing of the potential changes explored, such as the introduction of new carbon pricing mechanisms, is an important factor in determining the potential size of financial impacts on the business. Our review of the strategic response options available to us indicates that the business is well-positioned to respond, whilst confirming areas to monitor to ensure that we proactively strengthen our position for the range of future pathways considered.

The exercise highlighted areas where the nature and scale of impacts varies across different parts of the business. The diversity of brands and operational locations across our portfolio provides some mitigation against isolated risks, whilst impressing upon us the need to continue to monitor climate-related risks and opportunities at both operating segment and Group level.

The outputs facilitated an update to our climate risk and opportunities register. As we continue our work to enhance our resilience to climate change, this will enable us to explore new risk mitigation and opportunity-realisation strategies under the governance of our Group risk management process.

Driving forward our ESG agenda is of strategic and financial importance to TRG and our business resilience. Whilst taking action to reduce our emissions and achieve efficiencies requires investment, it presents opportunities to enhance our long-term value – reducing operational costs by optimising energy usage, managing exposure to climate-related policy and regulation, and enhancing supply-chain resilience to ensure product availability and security of supply.

Risk management

a) Processes for identifying and assessing climate-related risks

Climate-related risks (short, medium and long-term), including those related to existing and emerging regulatory requirements, are identified by the ESG function with reference to external sources and in consultation with the business, including through the Preserving the Future Programme workstreams, and understanding of these risks is further developed through scenario analysis. Climate-related risks are discussed at the Company's quarterly Risk Committee meetings as part of the Group's risk management process.

The risk management process identifies the gross risk, the likelihood of occurrence, mitigating controls in place and the potential financial impact on the Group and the likelihood of the risk occurring. The Risk Committee receives the functional and divisional risk registers, including the climate-related risks and opportunities register, and material from all registers feeds into the consolidated view of the Group's principal risks as disclosed on page 70. The consolidated view of the Group's principal risks takes into consideration interdependencies of different risks, including climate-related risks.

b) Processes for managing climate-related risks

Each climate risk is assigned a business owner who is responsible for monitoring the risk and undertaking mitigating actions where appropriate. Where required, specific action points are agreed at Risk Committee meetings.

c) Integration of processes for identifying, assessing, and managing climate-related risks into the organisation's overall risk management

The processes for identifying, assessing, and managing climate-related risks are fully integrated into the organisation's overall risk management, and feed into the principal risks as described above. For example, the climate-related risk of higher sourcing costs for ingredients caused by extreme weather events, feeds into the Supply Chain Inflation principal risk.

Metrics and targets

a) Metrics used to assess climate-related risks and opportunities in line with its strategy and risk management process

b) Scope 1, Scope 2 and Scope 3 GHG emissions, and the related risks

c) Targets used to manage climate-related risks and opportunities and performance against targets

The table below sets out the key metrics and targets used to measure climate-related elements of our Preserving the Future Programme.

We currently manage our climate-related risks and opportunities through the metrics and targets below. Our decarbonisation, renewable energy and energy usage reduction targets will help to mitigate the risks relating to carbon pricing and the risk of failing to align with climate-aware customers' expectations. Our Wagamama 50% plant-based menu target also helps to mitigate these risks, as well as helping to address the opportunity to attract more climate-aware customers.

We are developing metrics and targets for other areas of our programme, including for waste management and supplier engagement.

Target/Goal	Metric	2022 result
Minimise operational emissions (Scope 1 and 2)	Absolute market-based GHG emissions in tCO ₂ e for Scope 1 and 2	Reduced by 91% vs 2021 emissions
Maintain renewable energy across directly contracted supplies	Electricity, gas and LPG from renewable sources	Achieved – new sites moving to national framework as existing contracts allow
5% reduction in energy usage in 2022 vs 2019	Energy consumption	Achieved (see Directors' remuneration report on page 50)
Net zero by 2040 with residuals emissions offset	tCO ₂ e Scope 1, 2 and 3	N/A
Maintain 50% plant-based menu in Wagamama	Proportion of menu items not containing meat	Achieved

We have worked with an external carbon accounting partner to produce our Scope 3 inventory in accordance with the GHG Protocol. This uses industry average carbon factors applied to a combination of volume-based and spend-based data to calculate emissions. In future, we plan to replace industry average carbon calculations with supplier-specific emissions as we work proactively with our suppliers to help them provide these. There is currently no standard methodology for requesting carbon emissions data from suppliers, but we have created supplier engagement surveys based on the industry guidelines provided by WRAP.

As is the case across the industry, our ability to track Scope 3 emissions is still very limited due to the complexity of measurement. Activity to improve the quality of our Scope 3 inventory and datasets is ongoing, as this is an important enabler of our decarbonisation programme. This year we have included additional or enhanced datasets within the Purchased Goods and Services, Upstream Leased Assets and Business Travel categories.

Greenhouse gas emissions and energy usage

As a quoted public company, The Restaurant Group is required under the Streamlined Energy and Carbon Reporting regulations to report annually on its greenhouse gas emissions from Scope 1 and 2. We are also disclosing our Scope 3 footprint.

Energy usage and emissions reported across Scope 1, 2 and 3 in 2021 are not representative of a full trading year due to Covid restrictions and are therefore not comparable with 2022.

We report both location and market-based footprints to illustrate the benefits of renewable purchasing. A location-based method involves using an average emission factor that relates to the grid on which energy consumption occurs, so does not take into account any renewable purchasing that exceeds the grid average. A market-based method reflects emissions from energy that companies have purposefully chosen, for example renewable energy.

Task Force on Climate-related Financial Disclosures (TCFD) continued

Greenhouse gas emissions

Scope	Example emission Sources	Unit	Location-Based		Market-Based	
			2021	2022	2021	2022
Scope 1 (Combustion/facility operation)	Natural gas, LPG, FGAS	tCO ₂ e	15,454	15,633	13,635	1,312
Scope 2 (Electricity/heat/steam/cooling)	Electricity	tCO ₂ e	14,762	16,377	5,993	420
Scope 1 and 2 total		tCO ₂ e	30,216	32,010	19,628	1,732
Scope 1 and 2 intensity metric		tCO ₂ e/£1m turnover	47	36	31	2
Scope 3	Includes: purchased goods and services, capital goods, water, waste, transportation, business travel, employee commuting, upstream leased assets	tCO ₂ e		243,979	n/a	n/a

Energy use

		2021	2022
Combustion (Scope 1)	kWh	66,501,505	89,408,172
Electricity/heat/steam/cooling (Scope 2)	kWh	69,524,426	84,686,393
Total Energy Consumption	kWh	136,025,931	174,094,565

Greenhouse gas reporting methodology

- Our methodology has been based on the Greenhouse Gas Protocol
- The period of our report is 3 January 2022 to 1 January 2023
- We have reported on all the measured emissions sources required under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations
- This includes material emissions under Scope 1 and 2 and material upstream Scope 3 emissions
- Emissions relating to energy used within landlord managed sites where we do not control the purchase of energy have been estimated under the Scope 3 Upstream Leased Assets category
- Our published Scope 3 footprint currently excludes downstream emissions whilst we work to improve these datasets
- Conversion factors for UK electricity (location-based methodology), gas and other emissions are those published by the UK government, or where available, supplier-specific emissions for use in market-based calculations, using guidance from the GHG Protocol and Green Gas Certificate Scheme
- Our energy efficiency action is referred to throughout the report
- The location-based method reflects the average emissions intensity of the grid on which the energy consumption occurs (using grid-average emission factor data)
- The market-based method reflects emissions from the energy that has been purchased from the supplier, for example renewable energy

Corporate Governance report



Chairman's introduction

2022 was another challenging year for the hospitality industry. We entered the year with the Omicron variant still impacting our business, shortly followed by the war in Ukraine, which then led to a very significant impact on utility costs. The increase in interest rates, and the highest inflation pressures for a number of decades, resulted in a very significant cost-of-living challenge for our customers.

Despite these challenges, our businesses continued to deliver excellent levels of customer service and Wagamama and Brunning & Price in particular continued to significantly outperform their respective sectors. I am incredibly proud of the way that our colleagues dealt with the challenges of 2022.

Just prior to the year end we successfully refinanced our external debt giving the Group more flexibility and longer-term certainty. More details can be found in the Financial review on page 10 and the section 172 statement on page 17.

This Corporate Governance report sets out how the Company's Board and its Audit, Nomination and Remuneration Committees discharged their oversight functions in 2022 and provided support to the Company's management as the business navigated that challenging trading environment, and explains the governance standards and practices followed at Board level.

Within the Company's governance framework, the Board's role is to provide effective leadership in promoting the long-term success of the Company. I and the rest of the Board consider that maintaining high standards of corporate governance is critical to the effective delivery of the Company's strategy and its long-term success. The Board sets the Group's strategy, identifies and mitigates the risks in delivering the strategy, approves the funding and major capital allocations of the Group, and provides independent oversight of the Company's performance. To further support the Group's strategy, the Board seeks to ensure that good governance standards are embedded throughout the organisation. As well as following the statutory requirements placed on listed companies, including compliance with the UK Corporate Governance Code, the Company measures itself against wider best practice.

While the delivery of the Group's strategy and day-to-day running of the business are delegated to the Chief Executive Officer, the Non-Executive Directors play an important role in exercising independent judgement to shape and agree the Group's strategy and the relevant priorities with the Executive Directors. They bring constructive challenge and scrutiny to the executives and the senior management team at Board and Committee meetings, while providing support and guidance to promote effective decision-making, especially in challenging market conditions.

We have seen some changes to our Board during the year. We were pleased to welcome Loraine Woodhouse to the Board as a Non-Executive Director in July 2022, while Alison Digges departed at the end of the year after three years as a Non-Executive Director. We also appointed a new Company Secretary, Andrew Eames, in 2022.

In my first year as Chair, I have worked with the Board and the Company Secretary to update and formalise several of our Board processes. For 2023, I will continue to ensure that the Board and its Committees practise good corporate governance and set clear expectations concerning the Company's values and standards, while focusing on the key issues of performance, value creation and accountability and maintaining relationships with our shareholders and other stakeholders. A principal focus in governance terms will be on talent and succession planning and ensuring we have a diverse and inclusive Board and senior management team. I am strongly supportive of an enhanced ESG agenda as a key driver of the Group's progress.

Ken Hanna
Chairman

7 March 2023

Corporate Governance report continued

Statement of compliance with the UK Corporate Governance Code

Under the Listing Rules, the Company is required to comply with the UK Corporate Governance Code 2018 (the “Code”) and to identify and explain where it does not comply with any elements of the Code.

Throughout 2022, the Company complied with the principles set out in the Code with the exception of Provision 38, as the CFO’s pension contributions were not fully aligned with the rest of the workforce but based on a contractual entitlement. As referenced in the Directors’ remuneration report on page 52, this has now been rectified as of 1 January 2023, such that the Company is currently fully compliant with the Code.

Explanations of how the Principles and Provisions of the Code have been applied are included throughout this Corporate Governance report and also in the Audit Committee report, the Nomination Committee report and the Directors’ remuneration report. The Code is available to view here: www.frc.org.uk/directors/corporate-governance/uk-corporate-governance-code.

Board membership

As of 7 March 2023, the Board consisted of seven Directors, comprising the Chair, two Executive Directors – the Chief Executive Officer and the Chief Financial Officer – the Senior Independent Director and three other Independent Non-Executive Directors. Biographies of each individual Director can be found on pages 42 to 43. The Board considers each of the current Non-Executive Directors to be independent, including the Chair of the Board on appointment. The Board considers that each Director demonstrates the skills and

experience required for the success of the Group and is able to allocate sufficient time to the Company to discharge his or her responsibilities effectively. Changes to the composition of the Board and its Committees over the course of the year are detailed below.

- Following the resignation of Debbie Hewitt MBE, Ken Hanna took over as Chair on 1 January 2022.
- Alex Gersh, who joined the Board as a Non-Executive Director in February 2021, was confirmed as Chair of the Audit Committee on 24 May 2022, succeeding Graham Clemett, who remains on the Board as Senior Independent Director. Graham’s appointment as a Non-Executive Director was renewed for another three years in June 2022.
- On 4 July 2022, Loraine Woodhouse joined the Board as a Non-Executive Director, and was also appointed to the Audit and Nomination Committees. Loraine has extensive listed financial experience, with a career that has included a number of CFO and finance roles at Halfords, John Lewis Partnership, Hobbs and Costa Coffee. She is currently a Non-Executive Director at The British Land Company plc and Pennon Group plc.
- On 7 December 2022 several changes were made to Committee memberships, with the effect of ensuring that each Independent Non-Executive Director sits on each Board Committee and that the Committees have a more diverse and broader membership. Accordingly, Zoe Morgan was appointed to the Audit Committee, while Loraine Woodhouse and Alex Gersh joined the Remuneration Committee.
- On 8 December 2022, we announced that Alison Digges had informed the Board that she intended to step down as from 2 January 2023.
- Zoe Morgan’s appointment as a Non-Executive Director was renewed for another three years as from 1 January 2023.

The following Directors held office during 2022:

Director	Role	Originally appointed to the Board
Ken Hanna	Chair Chair of Nomination Committee	December 2021
Andy Hornby	Chief Executive Officer	August 2019
Kirk Davis	Chief Financial Officer	February 2018
Graham Clemett	Senior Independent Director Chair of Audit Committee (to May 2022)	June 2016
Alison Digges	Independent Non-Executive Director	January 2020
Alex Gersh	Independent Non-Executive Director Chair of Audit Committee (from May 2022)	February 2021
Zoe Morgan	Independent Non-Executive Director Chair of Remuneration Committee Workforce Engagement Director	January 2020
Loraine Woodhouse	Independent Non-Executive Director	July 2022

The role of the Board

The Board's role is to set and oversee the strategic direction of the Group as well as the business operating model that aims to deliver those strategic priorities. It looks to ensure that the necessary resources are in place to achieve these priorities and reviews management's performance in terms of their delivery. The Board is also responsible for providing strong values-based leadership to the Company and for effective corporate governance, setting the Company's ethical standards and ensuring the business meets its obligations to all stakeholders.

The Board has a formal terms of reference and schedule of matters specifically reserved for its consideration, which is available on the Company's website and includes items such as:

- Responsibility for the long-term, sustainable success of the Company and Group
- Approval of the annual budget and business plan
- Approval of the Group's interim and year-end reports
- All new site openings and approval of significant capital expenditure
- Significant disposals of assets
- Acquisitions and disposals of businesses
- Approval of key Group policies

Division of responsibilities

The division of responsibilities between the Chair, the Chief Executive and the Senior Independent Director is formally set out in writing and available on the Company's website.

Meetings and attendance

The Board and its Committees hold regular, planned meetings throughout the year to review the Company's financial and operational performance and other matters. When issues requiring the attention of the Board or one of its Committees arise outside the regular schedule, additional meetings are arranged as necessary.

A summary of the Directors' attendance at scheduled meetings of the Board and its Committees that they were eligible to attend during 2022 is shown below:

Director	Board	Audit Committee	Nomination Committee	Remuneration Committee
Ken Hanna	7/7	–	2/2	2/2
Andy Hornby	7/7	–	–	–
Kirk Davis	7/7	–	–	–
Graham Clemett	7/7	3/3	2/2	2/2
Alison Digges	7/7	3/3	2/2	2/2
Alex Gersh	7/7	3/3	2/2	–
Zoe Morgan	7/7	–	2/2	2/2
Lorraine Woodhouse ¹	3/3	2/2	–	–

¹ Lorraine Woodhouse was appointed to the Board and to the Audit and Nomination Committees on 4 July 2022.

The Board also held two unscheduled meetings during the year to consider specific matters at relatively short notice. There were two additional Nomination Committee meetings and three additional Remuneration Committee meetings. All Directors who were able to attend these meetings, however, Graham Clemett and Alex Gersh were both unable to attend one of ad hoc Board meetings and one of the ad hoc Nomination Committee meetings due to prior commitments.

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

The Chair, Ken Hanna, leads the Board in both challenging and supporting the Executives in shaping, agreeing and executing the strategy. The Senior Independent Director, Graham Clemett, is responsible for providing support to the Chair and acts as an alternative point of contact for shareholders and the other Directors.

Non-Executive Directors maintain an ongoing dialogue with the Chair and Executive Directors, providing constructive challenge to the Group's strategy and day-to-day performance. Non-Executive Directors are provided with the relevant information to allow them to monitor, assess and challenge the executive management of the Group. The Non-Executive Directors have the opportunity to meet without the Executive Directors to examine, among other matters, the targets set and the performance achieved by management.

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

Board Committees

The Board is supported by three Committees: Audit, Nomination and Remuneration. The terms of reference of these Committees are available at www.trgplc.com/governance. Full reports for each of the Committees are set out on pages 44 to 66.

Corporate Governance report continued

Comprehensive papers are provided to the Directors the week prior to Board meetings and to Committee members prior to Board Committee meetings through a secure online portal. Financial information packs and shareholder analysis reports are also provided to all Directors on a monthly basis.

Independent advice

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

Conflicts of interest and independence

The Board reviews potential conflicts of interest and independence where necessary at each meeting and a record is kept by the Company Secretarial function of any potential or actual issues that may arise. Directors have continuing obligations to update the Board on any changes to these conflicts or matters which may impinge upon their independence, and also provide annual confirmations of their interests and other appointments as part of the year-end process. British Land plc, where Loraine Woodhouse also acts as a Non-Executive Director, is the landlord of some TRG sites, while Pennon Group plc companies, where she is also on the Board, supply water to some sites in the southwest. Under the Group's conflict of interest procedures, Loraine Woodhouse recuses herself from any discussions or decisions at Board meetings where matters relating to British Land or Pennon are involved.

Directors' and Officers' liability ('D&O') insurance

The Company maintains D&O insurance to cover the cost of defending civil and criminal proceedings brought against an individual acting in their capacity as a Director or Officer of the Company (including those who served as Directors or Officers during 2022).

Board composition and diversity

As required by the Code, at least 50% of the Board, excluding the Chair, are independent Non-Executive Directors. As at the year end, the Board comprised five men (62%) and three women (38%). The Audit Committee currently has 50% female representation, while the Nomination and Remuneration Committees have 40%.

Appointments to the Board are made solely on merit without any discrimination relating to age, gender or any other matter that has no bearing on an individual's ability to fulfil the role of Director or to contribute to the success of the Group. However, the Board also recognises that having Directors with varied backgrounds, experiences and approaches is critical to creating an effective and balanced Board that more accurately reflects the range of the Company's employees and customers, and is therefore a relevant consideration when establishing the selection criteria for candidates potentially joining the Board. Although some of the recommendations do not technically apply to the Company due to its size, the Board remains mindful of the aims of the FTSE Women Leaders review and the Parker review on female and ethnic representation respectively.

In January 2023, the Board approved a new Board Diversity Policy to supplement existing practice and the all-staff Equality and Diversity Policy, which will help guide future search processes and appointment procedures. Under the policy, the Nomination Committee has the discretion to set clear targets for diversity of representation, in addition to any external requirements that might apply. The Board is also mindful of recent changes to the Listing Rules and Disclosure Guidance and Transparency Rules on Board diversity, which will impact formal reporting from next year – there are currently no ethnic minority Directors and none of the senior positions of Chair, CEO, CFO or SID are held by women.

The Company is a member of WiHTL Diversity in Hospitality Travel & Leisure, a community of businesses devoted to increasing diversity and inclusion across the hospitality, travel and leisure sectors. Further details on the Board's and the Group's policies on diversity are contained in the Nomination Committee report on page 49 and the Environmental and Social report on page 25.

The table below sets out the position of the Group on a gender basis as at 1 January 2023:

	Male	Female
Board	5 (62%)	3 (38%)
Divisional heads	2 (67%)	1 (33%)
Direct reports to senior managers ¹	12 (57%)	9 (43%)
TRG employees	9,042 (50%)	8,920 (50%)

¹ Senior managers defined as the divisional MD/CEOs and the Company Secretary, based on applying the Code definition, but excluding the Executive Directors.

Colleague engagement

The Group's aim is to create great places to work that attract and retain the best industry talent and we believe that wider colleague engagement is an essential part of this. Since 2019, a designated Non-Executive Director has been assigned to provide colleagues across all brands the opportunity to engage directly with a representative from the Board. Zoe Morgan is currently the designated Non-Executive Director responsible for colleague engagement and diversity & inclusion (D&I) and in 2020 set up the Colleague Engagement Steering Group to steer the implementation of colleague engagement across all our divisions. The Steering Group comprises the Directors/ Heads of People from Wagamama, Pubs, and Leisure and Concessions, and is chaired by Zoe. The Steering Group meets three times per year to discuss opportunities, successes, and future engagement strategies to support cross-functional working and best practice.

In 2022, the Steering Group ran a comprehensive colleague engagement survey across the entire Group, the results of which were formally reported to the Board and discussed at length in January 2023. The survey consisted of five core questions common to each division plus additional questions tailored separately for each brand, depending on its focus and individual engagement strategies. The engagement rates were improved compared to 2021, with a response rate of over 70%, and positive responses to all key questions. Each division recorded an increased proportion from the previous year of colleagues agreeing they were proud to work for their division, totalling over 70% across the Group.

The Steering Group also reviewed the Group's position on diversity and agreed to align each division's reporting methods more closely in order to allow for a more accurate and consistent understanding of diversity issues across the Group. A core set of diversity data metrics, focusing in particular on ethnicity, gender and disability, along with data capture principles, was agreed in order to have a fuller picture for presentation to the Board in 2023.

Environment and sustainability

The Board acknowledges its responsibility to minimise the Group's impact on the environment and supports and promotes efforts to reduce the Group's energy consumption and carbon emissions, water usage and waste. The Board receives regular ESG updates from the Preserving the Future Programme, whose steering committee is chaired by the CEO. For 2022, as required by the Listing Rules, we are also providing disclosures in line with the reporting framework of the Task Force on Climate-related Financial Disclosures (TCFD). Our TCFD disclosures, as well as details of our environmental policies and practices, and our commitment to sustainable and ethical sourcing, are contained in the Environmental and Social report on pages 18 to 34.

Annual re-election

In accordance with the Code, having been appointed by the Board since the last Annual General Meeting, Loraine Woodhouse will be subject to election by shareholders at the AGM in May 2023. All other Directors are subject to re-election annually.

Director induction

Loraine Woodhouse was provided with a comprehensive induction on appointment, including:

- Briefings by the Executive Directors
- Meetings with the CEOs/MDs of each division
- Induction from the Company Secretary on Group structure, corporate governance, Board and Committee meetings and Directors' duties
- Meetings with various senior managers and operational heads
- Visits to the Group's operations including various restaurants and pubs to witness the operations first-hand
- Where appropriate, meetings with shareholders and Company advisers

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

Director training and development

The Company acknowledges the importance of developing the skills of Directors to run an effective Board. To assist in this, Directors are given the opportunity to attend relevant courses and seminars to acquire additional skills and experience to enhance their contribution to the ongoing progress of the Group. Presentations by external advisers and internal specialists are also given at Board meetings on specific regulatory and governance topics. In 2022, for example, a presentation was given on upcoming changes to audit, corporate reporting and corporate governance by EY at the December 2022 meeting.

Corporate Governance report continued

Board evaluation

Provision 21 of the Code states that there should be a formal and rigorous annual evaluation of the performance of the Board, its Committees, the Chair and individual Directors. For FTSE 350 companies, an externally facilitated review is required every three years. As we announced last year, the planned three-year review was “deferred” in 2021 in light of the change in Board Chair at the beginning of 2022.

An externally facilitated Board evaluation was conducted in the last quarter of 2022 by Independent Board Evaluation. IBE conducted a series of interviews with each Director and the Company Secretary in November and December 2022 and attended the Board and the Audit and Remuneration Committee meetings held in December. The key results of the evaluation were presented to the Board meeting in January 2023, with additional reports on specific points relevant to them being circulated to the Chair, the Senior Independent Director and individual Committee Chairs respectively.

The review confirmed that the Board and its Committees were working well. Principal recommendations included:

- In view of the fact that the Board had a relatively small number of Non-Executive Directors, they should all be on every Committee (Nomination, Audit and Remuneration)
- Increased reporting to the Board on ESG
- Minor housekeeping issues such as the scheduling and frequency of meetings and the attendees

An action plan based on the evaluation recommendations was presented to the Board in March 2023, with actions to be tracked and reported on throughout the year.

Independent Board Evaluation have no connection with the Company or any individual Director.

Individual Director appraisal process

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

Director	Appraiser
Chair	Reviewed by the Executive and Non-Executive Directors excluding the Chair, with feedback facilitated by the Senior Independent Director
Chief Executive Officer	Reviewed by all the Non-Executive Directors, with feedback facilitated by the Chair
Chief Financial Officer	Reviewed by the Chief Executive Officer and all the Non-Executive Directors, with feedback facilitated by the Chief Executive Officer and Chair
Non-Executive Directors	Reviewed by the Executive Directors and by their Non-Executive Director peers, with feedback collated and given by the Chair

Risk management

The Board has ultimate responsibility for ensuring that business risks are effectively identified and appropriately mitigated. The Board has delegated regular review of the risk management procedures to the Audit Committee and collectively reviews the overall risk environment on an annual basis, which includes the principal risks and mitigation plans as set out on page 70. The day-to-day management of business risks is the responsibility of the senior management team and individual divisions, as overseen by the Risk Committee. For the report of the Risk Committee and a description of the Group’s key risks, see pages 69 to 70.

Remuneration

For information on remuneration, see the Directors' remuneration report on pages 50 to 66.

Board decision-making

The Board is required to act in the way it considers would be most likely to promote the success of the Company for the benefit of its members as a whole, and in so doing, have regard to the interests of certain stakeholders and the other matters set out in section 172 of the Companies Act 2006. For information on the Board's decision-making see the section 172 statement on pages 16 and 17.

Relations with shareholders

Board engagement with shareholders

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

Board shareholder updates

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

Electronic shareholder communications

As part of the Company's commitment to reducing its impact on the environment, we ask shareholders to elect to view our annual reports, notices of meeting and other shareholder documentation online, rather than in paper form, although shareholders retain the right to ask to receive hard copy shareholder communications by post if they so wish. We intend to write to shareholders later in the year to encourage more to switch to fully paperless communications. For this year's AGM, rather than personalised Forms of Proxy being distributed to every shareholder, those who have already elected to view documents online will now receive notifications explaining how to vote online.

Directors' shareholdings

For details of Directors' shareholdings, remuneration and interests in the Company's shares and options, together with information on Directors' service contracts, see pages 52 to 59 of the Directors' remuneration report.

Annual General Meeting

The AGM is an opportunity for shareholders to vote on certain aspects of Group business and provides a useful forum for communication with private shareholders. At the AGM shareholders receive presentations on the Company's performance and may ask questions of the Board. The Chair seeks to ensure that all Directors attend and that the Chairs of the Audit, Remuneration and Nomination Committees answer relevant questions at the meeting.

The 2023 AGM will be held on 23 May 2023 at 11:00 a.m. at the Group's Head Office at 5-7 Marshalsea Road, London SE1 1EP. The Notice convening this meeting will be posted to shareholders on March 31, along with Notices of Availability or Proxy forms (as relevant) and shareholder vouchers, and will be made available at the same time at www.trgplc.com/investors/reports-and-presentations.

By order of the Board.

Ken Hanna
Chairman

7 March 2023

Board of Directors

as at 7 March 2023



Ken Hanna
Non-Executive Chairman



Appointed: 1 December 2021 (as Non-Executive Director) and Chairman with effect from 1 January 2022

Ken is an experienced Chair who brings a wealth of relevant business experience from both his Executive and Non-Executive careers. His Executive career has included the roles of Chief Financial Officer of Avis Europe plc, Chief Financial Officer of United Distillers plc, Chief Financial Officer of Sygen International plc, Chief Financial Officer and Chief Executive Officer of Dalgety plc, and Chief Financial Officer of Cadbury plc. Since embarking on a Non-Executive career over 15 years ago, Ken's roles have included Non-Executive Director of Tesco plc, and Chair of Inchcape plc, Shooting Star Chase, Aggreko plc, RMD Kwikform, and Arena Events Group plc.



Andy Hornby
Chief Executive Officer

Appointed: 1 August 2019

Andy is an experienced Chief Executive, with strong consumer and digital credentials. He was previously Co Chief Operating Officer of GVC Holdings plc ("GVC"). After joining Gala Coral in 2011, he was successively Chief Executive of Coral, Chief Operating Officer of Gala Coral, Chief Operating Officer of Ladbrokes Coral (following the merger with Ladbrokes in 2016) and Co Chief Operating Officer of GVC (following the purchase by GVC in 2018).

Prior to joining Gala Coral, Andy was Group Chief Executive of Alliance Boots from 2009 to 2011, having previously held positions as Chief Executive of Halifax Retail, Chief Executive Officer of the Retail Division of HBOS plc, Chief Operating Officer of HBOS plc and then Chief Executive of HBOS plc from 2006 to the end of 2008. Earlier in his career Andy held a range of roles at Asda, the supermarket retailer, including Retail Managing Director and Managing Director of George clothing. Andy is also Non-Executive Chair of Sharps Bedrooms and a Trustee of the charity Only A Pavement Away.



Kirk Davis
Chief Financial Officer

Appointed: 5 February 2018

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



Graham Clemett
Senior Independent Non-Executive Director



Appointed: 1 June 2016

Graham is currently Chief Executive Officer of Workspace Group plc. He previously held roles as Finance Director for UK Corporate Banking at RBS Group plc and as Group Financial Controller at Reuters plc. He qualified as a chartered accountant with KPMG.



Zoe Morgan
Independent Non-Executive Director

A N R

Appointed: 1 January 2020

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

Zoe is the designated workforce engagement Director.



Alex Gersh
Independent Non-Executive Director

A N R

Appointed: 23 February 2021

Alex is currently the Chief Financial Officer of Paysafe Group, a specialised payments platform. Prior to that, he was Chief Financial Officer of Sportradar, a global leader in leveraging the power of sports data and digital content, and before then, Chief Financial Officer of the online car sales business, Cazoo. He is an experienced listed business Chief Financial Officer and was previously Chief Financial Officer of the FTSE 100 listed business Paddy Power Betfair Group, where he played a key role in the merger of Betfair with Paddy Power plc and in driving the subsequent success of the combined business.

From 2018 to 2020, Alex was a Non-Executive Director and Chair of the Audit Committee at Moss Bros plc, until the business was delisted in June 2020. From 2007 to 2013, Alex was a Non-Executive Director and Chair of the Audit Committee at Black Earth Farming Ltd, an agricultural company listed on NASDAQ OMX (Stockholm). He is a Certified Public Accountant.



Loraine Woodhouse
Independent Non-Executive Director

A N R

Appointed: 4 July 2022

Loraine is currently a Non-Executive Director and Chair of the Audit Committee at The British Land Company plc, and a Non-Executive Director at Pennon Group plc, Bristol Water plc and South West Water Limited. From November 2018 to June 2022, she was Chief Financial Officer at Halfords Group plc. Before joining Halfords, she spent five years in senior finance roles at the John Lewis Partnership, including as Finance Director of Waitrose. Prior to that, Loraine was Chief Financial Officer at Hobbs, Finance Director of Capital Shopping Centres Limited (subsequently Intu plc), and Finance Director of Costa Coffee Limited.

- A** Member of the Audit Committee
- N** Member of the Nomination Committee
- R** Member of the Remuneration Committee
- Committee Chair

Audit Committee report



Alex Gersh
Chair of the Audit Committee

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

Membership and meetings

The current members of the Committee are Alex Gersh (Chair), Graham Clemett, Zoe Morgan and Loraine Woodhouse. Graham Clemett chaired the Committee until 24 May 2022, when he was succeeded by Alex Gersh. Loraine Woodhouse joined the Committee on her appointment to the Board in July 2022, while Zoe Morgan joined in December 2022. Alison Digges was a member of the Committee until 2 January 2023. The Committee met three times during the year, with all members in post at the time attending each meeting.

In accordance with the UK Corporate Governance Code, the Board confirms that it considers that Alex Gersh has significant, recent and relevant financial experience based on his current role as CFO at Paysafe Group and previous CFO roles at Sportradar, Cazoo and Paddy Power Betfair Group. Biographies of all Committee members, including a summary of their experience, appear on pages 42 to 43.

The Board reviews the composition of the Committee on an ongoing basis to ensure that it remains appropriate for its role and responsibilities and provides sufficient scrutiny of financial reporting, risk management, internal controls and external audit.

The Committee regularly invites the External Audit lead partner, the Chair of the Board, the Chief Executive Officer and the Chief Financial Officer to its meetings, as well as representatives from the outsourced Internal Audit function. The Committee meets privately with the External Auditor at least annually and liaises with Company management in considering areas for review.

Since 1 January 2023, there has been one Audit Committee meeting, focused on the review and approval of the Annual Report and Accounts. The meeting was attended by all four current members of the Audit Committee.

Key responsibilities

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

The Committee's key responsibilities are to:

- Provide assurance regarding the integrity, quality and reliability of financial information used by the Board and of externally published financial statements
- Review the Group's internal procedures on control and compliance for financial reporting to satisfy itself that these are adequate and effective
- Review the principles, policies and practices adopted in the preparation of the Group's financial statements to ensure they comply with statutory requirements and UK Adopted International Accounting Standards
- Review the adequacy and effectiveness of the Group's risk management and internal controls, supported by the Risk Committee
- Receive and review reports from the Group's External Auditor concerning external announcements, in particular the Annual Report and Accounts and the Interim Report

- Develop and oversee the Group's policy regarding the external audit process, review the External Auditor's independence, review the provision of non-audit services they provide and approve their remuneration
- Review the Group's whistleblowing arrangements under which employees can confidentially raise concerns about possible improprieties in financial reporting or other matters, to ensure there are proportionate and independent procedures in place and review the operational effectiveness of the Group's policies and procedures for detecting fraud or illegal acts
- Consider any other matter that is brought to its attention by the Board or the External Auditor, or any other matter falling within its remit that the Committee itself determines should be considered and make recommendations as appropriate

2022 Committee activities

The Committee is required by its terms of reference to meet at least three times a year. During 2022, the Committee held three meetings and discharged its responsibilities under the following categories:

Financial and narrative reporting

- Reviewed the full year and interim results and associated announcements, challenging the significant estimates and judgements made by management in their preparation
- Considered whether, taken as a whole, the Annual Report and Accounts were fair, balanced and understandable and whether they provided the necessary information for shareholders to assess the Company's position, performance, business model and strategy (including consideration of the appropriate use of alternative performance measures)
- Reviewed the suitability of the Group's accounting policies and practices, reflecting on the prior-year restatement recorded in the current year's financial statements and its causes
- Discussed the Group's long-term viability and going concern statements, assessing the challenges posed by the External Auditor and the appropriateness of management's response

External audit

- Received the External Auditor's report on the Annual Report and Accounts and Interim Report process and discussed the 2022 year-end audit
- Considered the scope and cost of external audit, questioning the Auditor's proposed approach to the audit and the cost implications of changes in the current year
- Considered the effectiveness of the external audit process and agreed a questionnaire for completion by Committee members and key management following the completion of the 2022 audit
- Discussed the Directors' representation letter to the External Auditor, considering the specific representations included within the letter and the Directors' ability to provide the related representations
- Discussed the non-audit work carried out by the External Auditor and its impact on safeguarding audit independence, noting that only minimal non-audit services were performed in the current year

Internal control and risk management

- Received reports from the Risk Committee Chair and reviewed the Group key risks and Risk Committee minutes
- Reviewed the Group's internal controls and risk management systems
- Reviewed and considered the Internal Audit Charter
- Received full reports and progress updates from the Internal Audit function
- Received a cybersecurity update from the Chief Information Officer, which reported in detail on the current risk position, and challenged progress against the plans to enhance the Group's controls in this area

Compliance, whistleblowing and fraud

- Reviewed the Whistleblowing Policy and the effectiveness of the Company's whistleblowing arrangements and received a report on whistleblowing activity
- Reviewed the Company's Anti-Bribery and Corruption Policy, determining it to be appropriate and reapproving it

Other

- Received a Treasury update and reviewed the Company's Treasury policy
- Reviewed and recommended for approval the Company's Annual Tax Strategy statement
- Reviewed and recommended minor updates to the Committee terms of reference

Audit Committee report continued

Significant financial judgements

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

Matter considered	Action taken by the Committee
Impairment of property, plant and equipment	The Committee reviewed the proposals prepared by management setting out their approach and challenged the key judgements made relating to both impairment and reversals of impairments previously booked. The key judgements related to forecast sales performance, allocation of central costs and discount rates. In addition, these judgements and disclosures were reviewed with the External Auditor.
Segmental disclosure	In December 2022, the Committee reviewed a paper prepared by management on segmental reporting and management's proposal to continue to aggregate results into one reportable segment for the Group, in line with industry practice. In particular, the Directors considered the expected near-term performance of the Leisure division during the cost-of-living crisis and the longer-term projections when considering the planned restructuring of the division during 2023 and 2024. Management presented and the Directors concluded that the long-term economic prospects of the Leisure division post-restructuring were similar to that of the other trading divisions within the Group and therefore it was appropriate to aggregate the results. Management updated the disclosure note detailing the judgement taken in the current year, which the Committee supported while requesting that the current approach and disclosure be kept under review.
Going concern	The Committee, alongside the wider Board, reviewed the base, stress and reverse stress case financial forecasts with management, with reference to the current loan facilities. This included cash flows and forecast covenant calculations for the Group. The Committee discussed the assessment by management with the External Auditor. The Committee agreed with management's assessment.
Exceptional items	Management presented a paper to the Committee covering the details of all costs classified in the accounts as exceptional in the year. This covered both the calculation of relevant amounts, as well as the rationale for separating them from the underlying trading of the business. These costs were reviewed and discussed with management and with the External Auditor.
Alternative Performance Measures (APMs)	Management presented a paper to the Committee in December 2022 covering the rationale for the Group's current use of APMs. In response to questions from Committee members, management agreed to keep the position under review and to monitor which measures were used by industry peers.
Property-related provisions	The Committee received a paper from management regarding the movement in the Group's property-related provisions (including those relating to closed and loss-making sites) due to the material nature of the change and the categorisation as exceptional. The Committee paid particular attention to the completeness of the calculations, the appropriateness of costs included within the provision, the significant changes in the balances relating to each site, and the rationale for the movement. This was discussed with management and with the External Auditor.
Useful economic life of the Wagamama brand	The Committee reviewed a management paper on the appropriateness of continuing to treat Wagamama as having an indefinite useful economic life, based on an analysis of current trends in the casual dining market, Wagamama's current brand position and long-term expectations and investment plans. The Committee agreed that the determination remained valid.

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

Fair, balanced and understandable

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

Long-term viability and going concern statements

The Committee considered, with reference to a detailed management paper, the Group's going concern and long-term viability statements. The factors used when assessing the Group's viability for the next three years, together with the statement, are set out, above.

External audit

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

Auditor effectiveness

When considering the effectiveness of the External Auditor, the Committee takes account of:

- The findings set out in the FRC's Audit Quality Review team's public reports on audit firms
- Any specific observations on the audit of the Company arising from the FRC
- The quality of challenge and insight of the External Auditor in their handling of the key accounting and audit judgements
- The arrangements for ensuring the independence and objectivity of the External Auditor
- The External Auditor's fulfilment of the agreed audit plan
- The ability of the External Auditor to add value through observations from the audit process and interactions with the Company's management
- The External Auditor's conclusions with regard to management and control processes

It is the Directors' intention to recommend the reappointment of Ernst & Young LLP (EY) to shareholders at the Annual General Meeting in May 2023. If appointed, EY will hold office until the conclusion of the next Annual General Meeting at which accounts are laid.

Auditor independence

EY were appointed in November 2018, following a tender process as outlined in the 2018 Annual Report, such that this is the fifth year auditing the Group's Annual Report. Starting with the 2022 audit, Julie Carlyle has replaced Bob Forsyth as the lead audit partner.

To ensure the External Auditor remains independent the Committee considers the following:

- The External Auditor's plan for the current year, noting the role of the external audit lead partner and their length of tenure
- The arrangements for day-to-day management of the external audit relationship
- A report from the External Auditor describing its arrangements to identify, report and manage any independence matters or conflicts of interest
- The overall extent of non-audit services provided by the External Auditor, in addition to its case-by-case approval of the provision of non-audit services by the External Auditor

Non-audit work and pre-approval policy

The Company has a non-audit work policy in place which was updated and approved at the December 2020 Audit Committee meeting, following the changes implemented in the Revised Ethical Standard 2019 issued by the FRC, and last reviewed and reapproved in December 2022.

The services that can be provided by the Auditor are restricted to a specific "whitelist" of services closely linked to the audit or regulatory work. In line with the requirements of the Revised Ethical Standard, the External Auditor would only be appointed to perform a non-audit service when it is consistent with the requirements and overarching principles of the Standard, and when its skills and experience make it the most appropriate supplier. The revised policy also requires prior approval from the Audit Committee prior to any non-audit services being conducted.

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

For the specific reasons detailed and explained in last year's Annual Report, non-audit fees were relatively high in 2021, however for this year, they returned to more normal levels, with an audit fee to non-audit fee ratio of 1:0.1 (2021: 1:1.4), primarily related to the half-year review. The Committee receives updates on the level of fees from the Auditor twice per year.

Internal controls and risk management

Internal audit function

The Group's Internal Audit function is provided externally by PwC. The Committee keeps the scope of the Group's internal control activity under regular review, meeting with PwC to agree the annual scope of work and to review its execution. In the year, the Audit Committee discussed the appropriate strategy for Internal Audit and received reports from PwC on the Group's process for business continuity management, key supplier contract management and IT general controls. Management and the Committee are monitoring the implementation of all recommended actions.

Risk Committee

The Audit Committee received regular reports on the activities of the Risk Committee during 2022 and reviewed and commented on the Group's Key Risks as identified through the risk process. For further details on the membership, roles and responsibilities of the Risk Committee, see page 69. The Group's principal risk factors are set out on page 70.

Committee effectiveness review

An externally managed Board and Committee evaluation was conducted in December 2022. A summary of the recommendations can be found on page 40 of the Corporate Governance report.

On behalf of the Audit Committee.

Alex Gersh
Chair of the Audit Committee

7 March 2023

Nomination Committee report



Ken Hanna
Chair of the Nomination Committee

The Nomination Committee, which is appointed by the Board, makes recommendations to the Board for the appointment of additional or replacement Directors and also holds responsibility for guiding succession planning for the Group.

Currently, the Committee comprises five Non-Executive Directors: the Committee Chair, Ken Hanna, along with Graham Clemett, Alex Gersh, Zoe Morgan and Loraine Woodhouse. Alison Digges was a member of the Committee until her departure from the Board on 2 January 2023.

Biographies of all Committee members, including a summary of their experience, appear on pages 42 to 43.

The Nomination Committee met four times during the year. All members were present at all four meetings, other than one ad hoc meeting, which Graham Clemett and Alex Gersh were not able to attend.

Key responsibilities

The Committee discharges its responsibilities through regular meetings during the year. Its key responsibilities are to:

- Review the structure, size, composition (including the skills, knowledge, experience and diversity) and effectiveness of the Board and its Committees, and make recommendations for any changes
- Give full consideration to succession planning for Directors and the executive leadership of the Group
- Recommend Directors for annual re-election
- Make recommendations for new Director appointments to the Board
- Make recommendations for appointments to the Board's Committees

2022 Committee activities

The Committee is required by its terms of reference to meet at least twice a year. During 2022, the Committee held four meetings and considered the following matters:

- The structure and skill set of the Board, including its diversity of composition, skills, thinking and approach and its succession needs, particularly in the light of upcoming changes to diversity requirements in the Listing Rules and Disclosure Guidance and Transparency Rules
- The appointment of Alex Gersh to the role of Audit Committee Chair from the May 2022 AGM
- The reappointment of Graham Clemett as a Non-Executive Director and Senior Independent Director as from 1 June 2022
- The recruitment, appointment and induction of Loraine Woodhouse, who joined the Board as a Non-Executive Director on 4 July 2022
- The appointment of Zoe Morgan to the Audit Committee as from 7 December 2022
- The appointment of Loraine Woodhouse to the Remuneration Committee as from 7 December 2022;
- The appointment of Alex Gersh to the Remuneration Committee as from 7 December 2022
- The reappointment of Zoe Morgan as a Non-Executive Director, Chair of the Remuneration Committee and Director with responsibility for colleague engagement, as from 1 January 2023

Effectiveness of the Committee

An externally managed Board and Committee evaluation was conducted in December 2022. Details of the overall outcome and conclusions of the Board Evaluation report, and forward action points, can be found in the Corporate Governance report on page 40.

Board changes during the year

Full details of changes to the composition of the Board and its Committees during the year can be found in the Corporate Governance report on page 37.

Non-Executive Director recruitment

The Company engaged executive search consultants, Lygon Group, to assist in the recruitment of a new Non-Executive Director. Following an extensive search, and recommendation by the Committee, the Board approved the appointment of Loraine Woodhouse as a Non-Executive Director with effect from 4 July 2022. On her appointment, Loraine became a member of the Audit and Nomination Committees, subsequently also joining the Remuneration Committee.

Lygon Group has no other connection with the Company.

Succession planning

The Nomination Committee keeps under review the skill set and tenure of Non-Executive Directors to ensure the appropriate mix of skill and independence is maintained for the Board and its Committees. The Committee also monitors executive succession planning to ensure the Company has a strong leadership pipeline.

Board and senior management diversity

The Board as a whole is committed to promoting inclusion across the Company and recognises that a Board composed of Directors with diverse backgrounds, experiences and perspectives, as well as diverse personal and cognitive attributes, performs its oversight functions more effectively and has a positive impact on the performance of the Group.

Accordingly, the Committee keeps the tenure, qualifications and backgrounds of the Company's Executive and Non-Executive Directors under review to ensure the Board and senior management both have an appropriate mix of skills, experience and knowledge and have members from diverse backgrounds, including in terms of their gender and their educational, professional and socioeconomic backgrounds. The Committee's terms of reference explicitly require it to consider the need to ensure a diverse and inclusive leadership team, including among the Company's Directors.

From 4 July 2022 to the end of the reporting year, following the appointment of Loraine Woodhouse as a Director, the Board comprised five males (62.5%) and three females (37.5%), meeting the target previously recommended by the Hampton-Alexander review for FTSE 350 companies. Although the Company is currently outside the FTSE 350, the Committee continues to be mindful of the latest recommendations of both the FTSE Women Leaders' review and the Parker review on ethnic diversity in terms of representation on the Board and in other leadership positions.

From next year, the Company will be required to report against the updated Listing Rules relating to female and ethnic minority representation on the Board, and the Committee will keep the "comply or explain" targets set out in Listing Rule 9 in mind when considering and reviewing the composition of the Board. The Committee recommended the adoption of a new Board Diversity Policy in January 2023, which was approved by the Board the same month and will be applied by the Company going forward.

Further details on the Group's wider policy on diversity are included in the Corporate Governance report on page 38 and the Environmental and Social report on page 25.

Annual re-election of Directors

As required by the Code, all Directors are subject to annual re-election.

Committee governance

Terms of reference

The full terms of reference are available on the Company's website at www.trgplc.com/investors/corporate-governance. These were most recently reviewed and updated by the Committee and the Board in January 2023.

On behalf of the Nomination Committee.

Ken Hanna

Chair of the Nomination Committee

7 March 2023

Directors' remuneration report



Zoe Morgan
Chair of the Remuneration Committee

Dear Shareholder,

I am pleased to present the Directors' remuneration report for the year ended 1 January 2023. As at 7 March 2023, the Remuneration Committee (the "Committee") consists of myself as Chair, Ken Hanna, Graham Clemett, Alex Gersh and Loraine Woodhouse. Loraine and Alex became members on 7 December 2022, to ensure that all Non-Executive Directors could play a part in the Company's remuneration decisions. Alison Digges, who departed the Board on 2 January 2023, was a member throughout 2022.

The Committee met five times in total during the course of 2022, and all Directors who were members at the relevant time attended each meeting. Towards the end of the year, the performance of the Committee was assessed as part of the wider externally facilitated Board review.

As usual, the annual statement and annual report on remuneration, which provide details of the remuneration earned by Directors in the year and the remuneration decisions planned for the 2023 financial year, will be subject to an advisory shareholder vote at this year's AGM on 23 May 2023.

In addition, as the Company's Remuneration Policy was last amended and approved in October 2020, we will be asking for shareholder approval for an update to that policy at the 2023 AGM. The intention is only to make limited changes to align our policy with current best practice, further details of which are provided at the end of this Remuneration report. As is normal practice, we undertook a consultation with major shareholders ahead of finalising the new policy, reaching around 60% of our shareholder base. We have taken the feedback received on board.

The Company will also be asking for shareholder approval of proposed new rules for the Deferred Bonus Scheme that applies to the Executive Directors and of the renewal of the Company's employee Save As You Earn share scheme, which is otherwise due to expire.

I am mindful of the significant minority vote against the Directors' remuneration report for the 2021 financial year at last year's AGM on 24 May 2022. One significant reason for that vote was the payment of a bonus – albeit at a level reduced by the application of discretion by the Committee – given the Group's receipt of furlough support in 2021. No equivalent payments were accepted in 2022, so we consider this should no longer be an issue of concern for investors. We have also acted to equalise the pension contribution received by the CFO with the rate received by staff and have committed to RSP awards set at a maximum of 100% of salary (that is, below the maximum permitted under the policy).

Remuneration in 2022

Although this year saw the business emerge from the Covid pandemic in a relatively strong position, particularly in terms of the strengths of our brands, trading in the hospitality and restaurant sector continued to be difficult, given the impact of increased energy and other input costs and pressures on consumer spending. As a result, payouts against the targets set for both long-term and short-term variable pay were limited.

The following outcomes for Executive Director pay were recorded during the year:

- The Committee adopted a blended approach for the 2022 pay awards, determining that higher earners in the Company would receive an approximate 2.5% pay increase, with staff in Head Office receiving an average 3% increase. As a result, the Chief Executive Officer's salary increased by 2.4% as from April 2022, and the Chief Financial Officer's by 2.46%. No salary waivers were in effect at any point in 2022.
- The Chief Executive Officer and Chief Financial Officer achieved modest bonuses of 12.7% of the maximum potential. As previously reported, last year the Committee exercised its discretion to reduce the 2021 annual bonus by 40% of maximum due to the Company's receipt of government support, while no bonus was paid in respect of the 2020 and 2019 financial years. As usual, 50% of any bonus paid out is required to be deferred into shares, with a three-year holding requirement.
- No payouts were made under the 2019 LTIP awards, which were due to vest in March 2022, as neither of the performance conditions were met.
- The 2022 Restricted Share Plan grant was discounted by approximately 20% to recognise the fall in the share price relative to the prior year.

As the Committee considered performance in 2022, it recognised no annual bonus was due on the financial element but was impressed with progress on the ESG agenda, and so, unlike the previous year, when negative discretion was applied, it did not exercise any discretion in 2022 on remuneration outcomes. With the end of the government's furlough scheme, and the absence of any other significant unexpected events during the year or the risk of windfall gains of any sort, it was determined that variable pay outcomes should follow the targets set on award.

The 2019 LTIP awards lapsed without vesting, while the 2020 RSP awards are not due to vest until October 2023, and the disclosed underpins will be considered nearer to that time. As a result, there were no vestings of long-term share awards where a decision on the application of Committee discretion was required.

Non-Executive Directors were awarded a 2.6% fee increase to their base Director fees from 1 April 2022, with no change to the Committee chair/SID fees. Due to having been recently recruited, the Chair was not considered for a fee increase as part of the 2022 pay review.

Remuneration for 2023

A 2.5% salary increase has been awarded to the Executive Directors (effective 1 April 2023), which is below both general inflation and the 4.5% average awarded to the head office team. Salary increases for non-managerial staff in restaurants and pubs are determined in line with changes to the National Minimum and National Living Wage levels, which are due to increase by between 9.7% and 10.9% in April 2023.

Fees for the Chair and the other Non-Executive Directors have also been increased by 2.5%.

In order to ensure full compliance with the UK Corporate Governance Code, the Chief Financial Officer's pension contribution rate has been aligned with the average for colleagues since 1 January 2023, reducing from the contracted rate of 20% to 3%.

The Chief Executive Officer and Chief Financial Officer will again be eligible for a maximum annual bonus for 2023 of 150% and 135% of salary respectively. Currently, our Remuneration Policy permits a maximum of 150% of base salary. Given the increased focus on ESG, we considered increasing the weighting on strategic ESG priorities for 2023 and discussed this with our largest shareholders. In light of the feedback received, we determined that the ESG weighting in the targets for this year should remain at 15% – please see page 52. We shall keep the weighting under review for coming years.

The Committee also intends to grant Restricted Share Plan awards over shares worth up to 100% of salary for each of the Executive Directors during 2023. The Committee, again, will consider whether to discount the grant level to reflect the share price at that point.

The 2023 awards will be subject to a discretionary underpin based on the Group's underlying performance and delivery against its strategy, ensuring that the progress made is sufficient to justify the level of vesting having regard to such factors as the Committee considers to be appropriate in the round. In normal circumstances, such factors will include the Company's financial performance, balance sheet strength and performance against environmental, social and corporate governance priorities and strategic goals set by the Committee from time to time.

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

Yours faithfully,

Zoe Morgan
Chair of the Remuneration Committee

7 March 2023

Directors' remuneration report continued

Annual report on remuneration

Implementation of the Remuneration Policy for the 2023 financial year

Executive Directors' salaries for the 2023 financial year are set out below and will be subject to increase from April:

Basic salary	2022 (from 1 April)	2023 (from 1 April)	Increase
Andy Hornby	£658,000	£674,450	2.5%
Kirk Davis	£386,000	£395,650	2.5%

The increases for the Chief Executive Officer and Chief Financial Officer are in line with the rest of the senior management team. The average increase for head office colleagues will be 4.5% for the 2023 pay review, with a higher average increase applied to colleagues covered by the National Living Wage and the National Minimum Wage increases.

Pension and benefits

The Chief Executive Officer receives no pension contribution and the Chief Financial Officer's contribution rate, set at 20% as negotiated on his recruitment, has now been reduced to 3%, to be aligned with the average for all colleagues who opt to take a pension. Any new Executive Directors will be similarly aligned.

Performance targets for the annual bonus in 2023

For 2023, the annual bonus will be based on a Group financial measure of 85% and ESG KPIs of 15% (comprising environmental, social and customer measures), and will be capped at 150% and 135% of salary for the Chief Executive Officer and Chief Financial Officer respectively.

The financial measure will be adjusted profit before tax.¹ As in previous years, the Committee has chosen not to disclose, in advance, the financial target as the Committee considers it commercially sensitive. However, retrospective disclosure in respect of the 2023 target will be provided in next year's report.

The ESG targets are again based on an equal split between energy use reduction, colleague retention and customer satisfaction. We look for consistent and sustainable improvements in our ESG outcomes, and the targets are based on hard metrics, measurable for each division on a site-by-site basis and verified by external benchmarks, and directly linked to our strategy.

Executive Directors are required to defer 50% of any bonus earned into share awards with a three-year vesting period under the Deferred Bonus Plan.

Underpin for RSP awards to be granted in 2023

The RSP awards intended to be granted to each of the Executive Directors in April 2023 will be over shares worth up to 100% of salary. The Committee will, at the time of grant, consider whether it is again appropriate to discount the 100% level (having reduced the grant level by 20% in 2022 to reflect the fall in share price since the last grant).

All awards granted in April 2023 will again be subject to a discretionary underpin in respect of 100% of the award. The Committee will determine its view based on the Group's underlying performance and delivery against its strategy, ensuring that the progress made is sufficient to justify the level of vesting having regard to such factors as the Committee considers to be appropriate in the round. In normal circumstances, such factors will include the Company's financial performance, balance sheet strength and performance against environmental, social and corporate governance priorities and strategic goals set by the Committee from time to time.

Non-Executive Directors

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

	2022	2023 (from 1 April)	Increase
Chair	£230,000	£235,750	2.5%
Non-Executive Directors' base fee	£57,650	£59,090	2.5%
Committee Chair/ Senior Independent Director fee	£10,000	£10,000	0%

¹ Pre-IFRS 16 and exceptional items.

Remuneration received by Directors (audited)

The table below sets out the remuneration received by the Directors in relation to performance for the financial years ended 1 January 2023 and 2 January 2022.

£'000	Fixed pay			Sub-total	Performance-related/variable pay					Total ⁸
	Salary and fees	Taxable benefits ¹	Pensions ²		Annual bonus ³	SAYE scheme	LTIP ³	RSP ³	Sub-total	
Ken Hanna										
2022	230	–	–	230	–	–	–	–	–	230
2021	19	–	–	19	–	–	–	–	–	19
Andy Hornby										
2022	654	13	–	667	125	–	–	–	125	792
2021	608	12	–	620	578	–	–	–	578	1,198
Kirk Davis										
2022	384	11	77	472	66	–	–	–	66	538
2021	356	11	71	438	271	–	–	–	271	710
Graham Clemett										
2022	71	–	–	71	–	–	–	–	–	71
2021	72	–	–	72	–	–	–	–	–	72
Zoe Morgan										
2022	67	–	–	67	–	–	–	–	–	67
2021	63	–	–	63	–	–	–	–	–	63
Alex Gersh ⁴										
2022	63	–	–	63	–	–	–	–	–	63
2021	47	–	–	47	–	–	–	–	–	47
Loraine Woodhouse ⁵										
2022	28	–	–	28	–	–	–	–	–	28
2021	–	–	–	–	–	–	–	–	–	–

Former Directors

Alison Digges										
2022	57	–	–	57	–	–	–	–	–	57
2021	53	–	–	53	–	–	–	–	–	53
Debbie Hewitt ⁷										
2022	–	–	–	–	–	–	–	–	–	–
2021	213	–	–	213	–	–	–	–	–	213

1 Taxable benefits comprise car allowance (the car allowance is £12,000 per annum for the Chief Executive Officer and £10,000 per annum for the Chief Financial Officer) and healthcare.

2 The pension payment to the Chief Financial Officer is a salary supplement in lieu of pension contributions. The Chief Executive Officer does not receive a pension allowance.

3 No LTIP awards vested in the 2021 or 2022 financial years. Details of the conditions applicable to their outstanding RSP awards are set out on page 55.

4 Alex Gersh was appointed as a Non-Executive Director on 23 February 2021.

5 Loraine Woodhouse was appointed as a Non-Executive Director on 4 July 2022.

6 Alison Digges resigned as a Non-Executive Director on 2 January 2023.

7 Debbie Hewitt resigned on 31 December 2021 and her remuneration is the amount earned up to that date.

8 The aggregate emoluments (being salary/fees, bonus, benefits and cash allowance in lieu of pension) of all Directors for the year ended 1 January 2023 was £1,847,696 (2021: £2,375,216).

Directors' remuneration report continued

Annual bonus payments for the year ended 1 January 2023 (audited)

The annual bonus for the 2022 financial year for the Chief Executive Officer and Chief Financial Officer was based on Group PBTE¹ performance (85%) and attainment of specific ESG targets (15%).

A maximum of 85% of the bonus (127.5% of salary and 114.8% of salary respectively) was potentially payable for achievement against Group PBTE targets. The table below shows the PBTE targets:

	Group Adjusted PBTE targets ¹	CEO % of salary	CFO % of salary
< Threshold		0%	0%
Threshold (84% of budget, 25% of maximum) ²	£26.3m	31.9%	28.7%
Target (budget, 50% of maximum) ²	£31.3m	63.8%	57.4%
Maximum (122% of budget) ²	£38.3m	127.5%	114.8%
Outcome	£20.3m	0%	0%

1 Pre-IFRS 16 and exceptional items

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

A maximum of 15% of the bonus (22.5% of salary and 20% of salary respectively) was potentially payable for achievement against three separate ESG targets, relating to energy consumption, customer satisfaction and employee turnover respectively. These targets were partially met and hence the bonus was paid out at 12.7% out of the 15% (19.1% of salary and 17% of salary respectively). These measures were set and assessed site by site at a divisional level, with external metrics then applied to verify the outcomes. The Group outturn is based either on the overall achievement or average outcome secured across the divisions. The precise measures by division are internal and commercially sensitive.

The energy target was based on a challenge to reduce like-for-like volume consumption by 5% compared to 2019 (the last uninterrupted full trading year). Across the Group, in aggregate, this target was met and hence this element of the bonus paid out in full. For customer satisfaction, end-of-year ratings from the primary metrics used by each division were taken and assessed against a target based on equivalent prior-year scores. Across the Group, this target was hit at an average 4.3% out of a potential 5%. The employee retention targets, based on rolling colleague turnover in each division, were reached at an average of 3.3% out of the total potential of 5%.

Vesting of LTIP awards in 2022 financial year (audited)

The 2019 LTIP awards have lapsed without vesting and as a result no LTIP awards vested to Executive Directors in the year.

Outstanding share awards

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

Name of Director	Scheme	Granted	Exercised	Lapsed	Adjusted Awards as at 1 January 2023	Exercise price	Date from which exercisable ^{4,5}	Expiry date
Andy Hornby	2020 RSP ¹	1,494,307	–	–	1,511,103 ⁶	0p	12.10.23	12.04.24
	2021 RSP ²	496,062	–	–	496,062	0p	12.04.24	12.10.24
	2022 RSP ³	776,049	–	–	776,049	0p	21.04.25	21.10.25
	2022 SAYE	59,960	–	–	59,960	30.02p	01.12.25	01.06.26
Kirk Davis	2020 RSP ¹	876,048	–	–	885,894 ⁶	0p	12.10.23	12.04.24
	2021 RSP ²	290,820	–	–	290,820	0p	12.04.24	12.10.24
	2022 RSP ³	454,964	–	–	454,964	0p	21.04.25	21.10.25

1 Details of the conditions applicable to the 2020 RSP awards can be found on page 56 of the 2020 Annual Report.

2 Details of the conditions applicable to the 2021 RSP awards can be found on page 47 of last year's Annual Report.

3 Details of the conditions applicable to the 2022 RSP awards can be found in the following section.

4 For Executive Directors, a two-year post vesting holding period applies to all net of tax shares (other than SAYE) together with a 250% of salary share ownership guideline. The requirement will continue to apply for two years post-cessation of employment (with such shares valued at the higher of the share price on departure and subsequently) unless the Committee exceptionally determines otherwise. To enforce this requirement, vestings from RSP awards will be lodged in escrow until sufficient shares are held.

5 Date from which first exercisable and expiration of the exercise period may be impacted if the Directors are prohibited from trading in the Company's shares at that time.

6 An adjustment was made to the 2020 RSP award in accordance with HMRC's standard TERPS formula following the 2021 Placing and Open Offer.

RSP awards granted during the year (audited)

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

Executive	Type of award	Basis of award granted ¹	Adjusted closing share price on date of grant ¹	Number of shares over which award was granted	Face value of award (£) ¹	% of face value that would vest if the underpin conditions are not met	Date of award	Date of Vesting ²
Andy Hornby	Nil-cost Option	100% of salary of £642,600	66p	776,049	£512,192.34	0%	21.04.2022	21.04.2025
Kirk Davis	Nil-cost Option	100% of salary of £376,729	66p	454,964	£300,276.24	0%	21.04.2022	21.04.2025

1 Given the fall in the share price from 2021 to 2022, the Committee reduced the grant by using the average share price during the three-month period ending with the dealing date before the date of grant (82.804p) to determine the number of shares granted rather than the usual five-day average. This was below the actual share price of 66p, resulting in an approximate 20% reduction in the face value of the shares granted.

2 Vesting subject to underpin condition detailed below. A two-year holding period applies to any shares vesting under the RSP awards.

Details of the underpin condition for the 2022 RSP awards are as follows:

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

Participation in the SAYE Scheme

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

Executive Director	Total SAYE awards at 2 January 2022	Awards granted	Exercise price	Awards vested (number)	Awards exercised (number)	Awards lapsed (number) ¹	Total SAYE awards at 1 January 2023	Earliest exercise date
Andy Hornby	35,108	59,960	30.02p	–	–	35,108	59,960	1 December 2025
Kirk Davis	–	–	–	–	–	–	–	–

1 Andy Hornby withdrew from the 2020 scheme, in which he held the 35,108 options, in order to participate in the 2022 scheme.

Payments on cessation of office (audited)

No payments on cessation of office were made in respect of the 2022 financial year.

Payments to former Directors' (audited)

No payments to former Directors were made in respect of the 2022 financial year.

Directors' remuneration report continued

Statement of Directors' shareholdings and share interests (audited)

Director	Beneficially owned at 2 January 2022 ¹	Beneficially owned at 1 January 2023 ¹	Outstanding LTIP awards at 2 January 2022 ²	Outstanding RSP awards at 1 January 2023 ²	Maximum shares receivable under SAYE options at 1 January 2023	Shareholding % of salary at 1 January 2023	Guideline
Ken Hanna	100,000	200,000	–	–	–	–	n/a
Andy Hornby	374,814	998,662	–	2,783,214	59,960	47%	250%
Kirk Davis	515,897	749,266	–	1,631,678	–	61%	250%
Graham Clemett	58,034	58,034	–	–	–	–	n/a
Zoe Morgan	51,680	51,680	–	–	–	–	n/a
Alex Gersh	5,000	5,000	–	–	–	–	n/a
Lorraine Woodhouse ³	n/a	49,834	–	–	–	–	n/a

Past Directors

Alison Digges	14,536	14,536	–	–	–	–	n/a
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1 Beneficial interests include shares held directly or indirectly by connected persons and Deferred Bonus shares held in the Employee Benefit Trust.

2 Further details of outstanding share awards are disclosed on page 110. The Committee has confirmed that the 2019 LTIPs have lapsed.

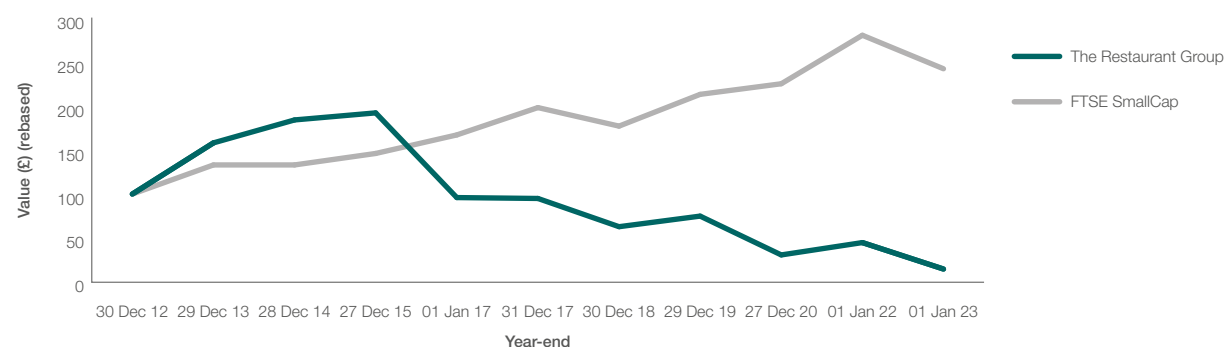
3 Appointment date 4 July 2022.

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

Performance graph and Chief Executive Officer pay

The graph below compares the Company's TSR performance and that of the FTSE Small Cap Index over the past ten years, all rebased from 100. This graph shows the value, by 1 January 2023, of £100 invested in The Restaurant Group plc on 2 January 2013 compared with the value of £100 invested in the FTSE Small Cap Index. On this basis the value, as at 1 January 2023, of £100 invested is as follows:

Total shareholder return



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

£'000	Andrew Page		Danny Breithaupt			Andy McCue			Andy Hornby				
	2013	2014 to 30.08.2014	2014 from 01.09.2014	2015	2016 to 12.08.2016	19.09.2016 to 01.01.2017	2017	2018	2019 to 30.06.2019	01.08.2019 to 29.12.2019	2020	2021	2022
Total remuneration	3,840	4,559	913	1,429	387	242	1,116	730	645	371	518 ²	1,198 ²	792
Annual bonus ¹	100%	75%	75%	69%	0%	20%	52%	0%	0%	0%	0%	60%	12.7%
Annual LTIP vesting ¹	93%	100%	94%	93%	0%	n/a	n/a	0%	0%	n/a	n/a	0%	0%

1 As a percentage of maximum.

2 Impacted by salary waivers.

Percentage change in Directors' remuneration

The table below shows the percentage change in the Directors' salary, benefits and annual bonus between the financial years specified.¹ The "salary change" figures in the table below include the impact of the salary waivers that were in place for 2020 and the first three months of 202.

Director	2021 to 2022			2020 to 2021			2019 to 2020		
	Basic salary/fee	Taxable benefits	Annual bonus	Basic salary/fee	Taxable benefits	Annual bonus	Basic salary/fee	Taxable benefits	Annual bonus
Ken Hanna	n/a ²	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Andy Hornby	8%	8%	-78%	21%	-14%	100%	-21%	-19%	0%
Kirk Davis	8%	7%	-76%	14%	15%	100%	-13%	-14%	0%
Graham Clemett	-1%	n/a	n/a	34%	n/a	n/a	-12%	n/a	n/a
Alison Digges	8%	n/a	n/a	19%	n/a	n/a	n/a	n/a	n/a
Alex Gersh	34%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Zoe Morgan	6%	n/a	n/a	26%	n/a	n/a	n/a	n/a	n/a
Lorraine Woodhouse ³	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

1 We have not provided a comparison with all employees in the above table as no such comparison is required under the regulations, which refer to employees of the parent company only, and it remains difficult to make direct comparisons due to the effects of Covid-19 and the fact that many staff were on furlough for parts of 2021. It is our intention to provide comparative data in future years.

2 Appointed to the Board on 1 December 2021 as a Non-Executive Director and appointed Chair with effect from 1 January 2022.

3 Appointed to the Board on 4 July 2022.

Directors' remuneration report continued

Chief Executive Officer to employee pay ratio

The table below shows how the CEO's single figure remuneration, as taken from the single figure remuneration table on page 57 and taking into account the voluntary pay reductions for 2020 and 2021, compares to equivalent single figure remuneration for full-time equivalent UK employees, ranked at the 25th, 50th and 75th percentile.

Financial year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2022	Option A	33:1	29:1	26:1
2021	Option A	55:1	49:1	42:1
2020	Option A	23:1	23:1	20:1
2019	Option A	42:1	37:1	31:1

Notes to the CEO to employee pay ratio:

- The Committee notes the general preference of institutional shareholders for companies to use statutory Method A and prepared the calculations on that basis. For 2021, given the ongoing mandatory shutdown of our restaurants and pubs in the early part of the year due to Covid-19, Option A includes employees who were placed on furlough under the Coronavirus Job Retention Scheme (CJRS) scheme. The CEO's remuneration takes into account the CEO's waiver of salary during 2021 (20% from 1 January to 31 March 2021).
- Employee pay data is based on full time equivalent pay for UK employees as at 1 January 2023. For each employee, total pay is calculated in line with the single figure methodology.
- Chief Executive Officer pay is as per the single total figure of remuneration for 2022, as disclosed on page 57.
- No calculation adjustments or assumptions have been made.
- The Committee has considered the pay data for the three individuals identified for each year and believes that it fairly reflects pay at the relevant quartiles among the UK employee population.
- The Committee believes the median pay ratio for each year to be consistent with the pay, reward and progression policies for the UK employees taken as a whole because the majority of our employees are based in our restaurants and pubs and there is a high level of consistency in terms and conditions with structured pay bands. During 2020 and part of 2021, our team members would have been in receipt of furlough payments due to restaurant closures and reduced trading, which will impact how the earnings levels compare.
- Any employee who worked less than full time hours was factored up using the full-time contracted hours for the role to calculate their FTE to allow a like-for-like comparison and does not take into account the effect of furlough arrangements on the relevant employee's pay.
- For 2020 and 2021, the CEO ratio does not represent a typical year – our employees will have had periods of furlough and flexible furlough during the course of the year. The Chief Executive Officer waived 40% of pay from April 2020 to the end of June 2020 and 20% from July 2020 to 31 March 2021.

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

Year	Salary			Total pay and benefits		
	25th percentile	Median	75th percentile	25th percentile	Median	75th percentile
2022	£23,712	£25,381	£28,747	£24,281	£26,971	£31,022
2021	£20,707	£22,597	£25,317	£21,880	£24,411	£28,491

Relative importance of spend on pay

£m	2021	2022	% change
Staff costs ¹	245.6	336.8	37.1%

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

No dividends were paid in respect of either year.

Consideration by the Directors of matters relating to Directors' remuneration

The Committee is constituted in accordance with the recommendations of the UK Corporate Governance Code and currently comprises four independent Non-Executive Directors in addition to the Company Chair. The Committee is chaired by Zoe Morgan, who became the Committee Chair in April 2020. None of the Committee members has any personal financial interest in the Company (other than as shareholders).

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

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

The Committee has formal terms of reference which can be viewed on the Company's website. These were last reviewed and subject to minor amendments in December 2022.

FIT Remuneration Consultants ('FIT') were appointed by the Committee and have acted as its independent advisers since December 2018. FIT provide services encompassing all elements of the remuneration packages and did not provide any other services to the Group during the year. Total fees paid to FIT in respect of their services in 2022 were £37,534.80 plus VAT (2021: £28,394 plus VAT).

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

Statement of shareholder voting

The Directors' remuneration report received the following votes from shareholders at the last AGM, held on 24 May 2022:

Directors' remuneration report

Votes cast in favour	422,023,281	67.68%
Votes cast against	201,567,586	32.32%
Total votes cast	623,590,867	–
Votes withheld	17,382	–

In advance of the AGM, the Remuneration Committee Chair consulted widely with major shareholders to explain the basis of remuneration decisions made during the year. Since then, we have written again to major shareholders ahead of the upcoming renewal of the Remuneration Policy to elicit additional views and feedback, and provided an update to the Investment Association's Public Register, which is available on our website, since the votes in favour of the 2021 Remuneration report fell below 80%. As the Chair notes in her introduction, the Committee was conscious that a key factor in generating votes against was the payment of bonuses for a year in which the Group was in receipt of furlough support.

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

Directors' Remuneration Policy

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

As noted, the Company intends to present an updated version of the current Remuneration Policy for shareholders to vote on at the 2023 AGM. The Company is proposing limited changes to the current policy, primarily to:

- Clarify the malus and clawback provisions applicable to the annual bonus scheme
- Remove the exception permitting higher pension contributions for Directors with existing contractual entitlement to those higher rates

Directors' remuneration report continued

Proposed Remuneration Policy

This report sets out the policy of the Group on Executive Directors' and Non-Executive Directors' remuneration. The policy will be put to shareholders for approval at the Annual General Meeting ("AGM") to be held on 23 May 2023 and, subject to approval, will be operated from that date. The current policy, approved by shareholders in 2020, will continue to apply until the new policy is approved.

Policy overview

The objective of our Remuneration Policy is to attract, retain and incentivise a high calibre of senior management who can direct the business and deliver the Group's core objective of growth in shareholder value by building a business that is capable of delivering long-term, sustainable and growing earnings.

To achieve this objective, Executive Directors and senior management receive remuneration packages with elements of fixed and variable pay. Fixed pay elements (basic salary, pension arrangements and other benefits) are set at a level to recognise the experience, contribution and responsibilities of the individuals and to take into consideration the level of remuneration available from a range of the Group's broader competitors.

Variable pay elements (annual bonus and Restricted Share Plan awards) are set at a level to incentivise Executive Directors and senior management to deliver outstanding performance in line with the Group's strategic objectives and to align their interests with those of long-term shareholders.

Consideration of shareholders' views

The Remuneration Committee (the "Committee") considers feedback from shareholders received during the year, including at AGMs and in consulting with major shareholders and proxies in preparing for the AGM, and feedback from

additional engagement as part of any review of executive remuneration. The Committee engages proactively with shareholders and ensures that they are consulted in advance where any material changes to the Remuneration Policy are proposed. During 2022, a consultation exercise was undertaken with major shareholders to seek feedback on the proposed changes to the policy.

Consideration of employment conditions elsewhere in the Group

In determining the remuneration of the Directors, the Committee takes into account the pay arrangements and terms and conditions across the Group as a whole. The Committee seeks to ensure that the underlying principles which form the basis for decisions on Directors' pay are consistent with those on which pay decisions for the rest of the workforce are taken. For example, the Committee takes into account the general salary increase for the head office team when conducting the salary review for the Executive Directors. Increases for the non-managerial staff in restaurants and pubs are determined in line with changes to the National Minimum and National Living Wage. More generally, the Company operates a Director-led workforce engagement programme.

Managing potential conflicts of interest

In order to avoid any conflict of interest, remuneration is managed through well-defined processes ensuring no individual is involved in the decision-making process related to their own remuneration. In particular, the remuneration of all Executive Directors is set and approved by the Committee; none of the Executive Directors are involved in the determination of their own remuneration arrangements. The Committee also receives support from external advisers and evaluates the support provided by those advisers annually to ensure that advice is independent, appropriate and cost-effective.

Key elements of the new Remuneration Policy for Directors

The 2020 policy involved considerable work to ensure our remuneration arrangements were fit for purpose. That policy seems to be embedding well although it will be kept under periodic review. On this basis, only minor changes are proposed.

	Purpose and link to strategy	Operation	Opportunity	Performance metrics
Basic salary	Attract and retain key personnel of the right calibre. Reflects individual responsibilities, skills and achievement of objectives.	Salary levels (and subsequent increases) are set based on role, experience, performance and consideration of the general workforce pay review and competitor pay levels. Salaries are paid monthly. Normally reviewed annually with any changes taking effect from 1 April or when an individual changes position or responsibility.	No prescribed maximum annual increase. The Committee is guided by the general increase for the Company's general workforce, but on occasions may need to recognise, for example, an increase in the scale, scope or responsibility of the role.	None.

Changes from 2020 policy: salary change date moved from 1 January to 1 April

	Purpose and link to strategy	Operation	Opportunity	Performance metrics
Benefits	To provide market consistent benefits.	Benefits packages typically comprise a car (or car allowance), health insurance, and life assurance although other benefits may be provided where appropriate, including relocation and expatriation expenses as outlined in this report.	No maximum limit.	None.

Changes from 2020 policy: none

Pensions	Rewards sustained contribution.	Contribution to a personal pension plan (no defined benefit schemes operate) and/or a salary supplement (e.g. where HMRC limits would be exceeded). Going forwards, new recruits will receive no more than the rate from time to time applicable to the majority of staff.	Executive Directors will receive no more than the rate from time to time available to the majority of staff (currently 3% but this may change).	None.
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Changes from 2020 policy: Executive Director pensions capped at standard staff rate

Annual bonus	Rewards the achievement of annual financial targets and other key performance indicators, depending on job responsibilities, which are aligned to the strategic needs of the business.	<p>Bonus level is determined by the Committee after the year end based on performance conditions typically drawn up at the start of the financial year.</p> <p>50% of any bonus is payable in cash.</p> <p>50% of any bonus is deferred in shares or nil-cost options with awards normally vesting after a three-year period. Not pensionable.</p> <p>A malus and clawback mechanism operates. The Committee has the authority to apply this mechanism if, in the opinion of the Committee, any of the following has occurred:</p> <ul style="list-style-type: none"> • A material misstatement of the Company's results • An error is made in any calculation or assessment in relation to an award • Gross misconduct by a participant • Any (in the case of malus only) other adverse circumstances materially impacting the reputation of the Group • An insolvency of the Company 	Maximum of 150% of base salary.	<p>Normally based on a one-year performance period.</p> <p>The annual bonus is subject to the achievement of stretching performance measures. Financial measures will account for the majority, normally based on Group Adjusted profit before tax or an alternative profit measure.</p> <p>The Committee may vary the metrics and weightings from year to year according to Group strategy.</p> <p>The Committee retains the ability to override the out-turn to reduce such payment if it does not consider the out-turn to be appropriate in all the circumstances.</p>
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Changes from 2020 policy: more specific malus and clawback provisions

Directors' remuneration report continued

	Purpose and link to strategy	Operation	Opportunity	Performance metrics
Restricted Share Plan (RSP)	Promotes achievement of long-term strategic objectives of increasing shareholder value and aligning the interests of participants with those of long-term shareholders.	<p>Annual grant of Conditional Awards calculated as a proportion of base salary. Grants will use the price prevailing at or shortly prior to grant (typically based on a 5-day average).</p> <p>A malus and clawback mechanism operates. The Committee has the authority to apply this mechanism if, in the opinion of the Committee, any of the following has occurred:</p> <ul style="list-style-type: none"> • A material misstatement of the Company's results • An error is made in any calculation or assessment in relation to an award • Gross misconduct by a participant • Any other adverse circumstances materially impacting the reputation of the Group • An insolvency of the Company. 	Maximum of 125% of salary.	<p>The level of vesting will be dependent upon the Committee confirming whether any underpin has been met as at the third anniversary of grant.</p> <p>All awards to Executive Directors will be subject to the underpin that the Committee is satisfied that the Award should vest and may be reduced if it feels that there has been unsatisfactory financial, personal or other performance over the period.</p>

Changes from 2020 policy: removal of references to specifics applied to the 2020 grant

Save As You Earn scheme (SAYE)	Encourages employee share ownership and therefore increases alignment with shareholders.	<p>HMRC-approved plan under which eligible employees are able to purchase shares under a three-year savings contract at a discount of up to 20% of market value at grant.</p> <p>Provides tax advantages to UK employees.</p>	N/A	None.
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Changes from 2020 policy: none

Shareholding guidelines	To increase alignment with shareholders.	<p>Executive Directors must build up and maintain a shareholding equivalent to 250% of base salary.</p> <p>Requirement to retain no fewer than 50% of the net of tax shares vesting under an RSP (or legacy LTIP) award until the required shareholding is achieved.</p> <p>The requirement will continue to apply for two years post-cessation of employment (with such shares valued at the higher of the share price on departure and subsequently) unless the Committee exceptionally determines otherwise.</p> <p>To enforce such requirement, vestings from RSP awards will be lodged in escrow until sufficient shares are held.</p>	N/A	None.
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Changes from 2020 policy: none

	Purpose and link to strategy	Operation	Opportunity	Performance metrics
Non-Executive Directors' fees	<p>To attract and retain a high-calibre Chair and Non-Executive Directors by offering market-competitive fee levels.</p> <p>Reflects fees paid by similarly sized companies.</p> <p>Reflects time commitments and responsibilities of each role.</p>	<p>Fees are normally reviewed annually. Fees paid in cash.</p> <p>Chair is paid a single fee.</p> <p>Non-Executive Directors are paid a base fee. A Committee Chair fee and a Senior Independent Director fee is payable to reflect additional responsibility.</p> <p>The Chair and the Non-Executive Directors are entitled to reimbursement of reasonable expenses including any tax due on such payments. They may also receive limited travel or accommodation-related benefits in connection with their role as a Director.</p>	<p>The Group's Articles of Association currently place a limit on the aggregate annual fees of the Non-Executive Directors of £650,000.</p> <p>As per Executive Directors, there is no prescribed maximum annual increase.</p> <p>The Committee is guided by the general increase in the Non-Executive Director market and for the broader UK employee population but on occasion may need to recognise, for example, an increase in the scale, scope or responsibility of the role.</p>	None.

Changes from 2020 policy: none

Directors' remuneration report continued

Performance measures

The Committee chooses performance measures for the annual bonus and, where relevant, any underpin to the RSP which align to the Group's profitability and the strategic plan. This enables the Executive Directors to be incentivised to achieve the Group strategy, aligning interests with those of shareholders. Financial performance measures (Adjusted profit before tax) are used as the key performance indicators (KPI).

Performance against targets is reviewed by the Committee. For the annual bonus plan, non-financial measures will usually relate to strategic priorities and/or ESG standards, such as: environmental measures (including, for example, reduction in electricity usage, waste recycling rates, etc.); customer service and engagement; and employee recruitment and retention.

Committee discretions

The Committee operates share plans in accordance with their respective rules and in accordance with the UK Listing Rules and HMRC requirements where relevant. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of these plans. These include (but are not limited to) the following:

- Selecting the participants
- The timing of grant and/or payment
- The size of grants and/or payments (within the limits set out in the policy table above)
- The extent of vesting based on the assessment of performance
- Determination of a "good leaver" and where relevant the extent of vesting in the case of the share-based plans
- Treatment in exceptional circumstances such as a change of control, in which the Committee would act in the best interests of the Company and its shareholders
- Making the appropriate adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events, variation of capital and special dividends)
- Cash settling awards
- The annual review of performance measures, weightings and setting targets for the discretionary incentive plans from year to year

Any performance or underpin conditions may be amended or substituted if one or more events occur which cause the Committee to reasonably consider that the performance conditions would not, without alteration, achieve their original purpose. Any varied performance condition would not be materially less difficult to satisfy in the circumstances.

Differences between the policy and the policy on employee remuneration

There are no material differences in the structure of remuneration arrangements for the Executive Directors and the senior management team. There are some operational differences such as quantum, which reflect the fact that a greater emphasis is placed on performance-related pay for Executive Directors and the most senior individuals in the management team. Outside the senior management team, the Company aims to provide remuneration structures for employees which reflect market norms.

Legacy arrangements

For avoidance of doubt, in approving this Directors' Remuneration Policy, authority is given to the Company to honour any prior commitments entered into with current or former Directors, unless specifically excluded.

External appointments

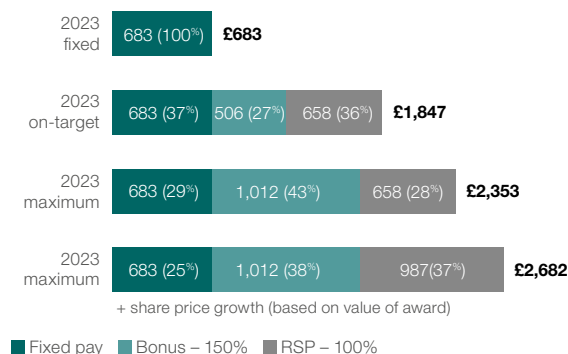
Executive Directors are entitled to accept one appointment outside the Group and there is no requirement for Directors to remit any fees to The Restaurant Group plc. Details of any appointments are provided in the annual report on remuneration section.

Illustration of application of Remuneration Policy

The chart below shows the value of the Executive Directors' packages under three performance scenarios – minimum, on-target and maximum – together with a modified version of the maximum column to include 50% share price appreciation.

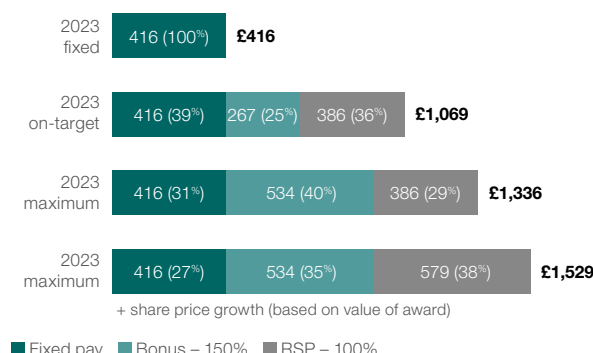
Andy Hornby

(£'000)



Kirk Davis

(£'000)



Notes:

- Salary levels are based on applying the 1 April 2023 increase as from that date
- The value of benefits receivable in 2023 is estimated
- The on-target level of bonus is taken to be 50% of the maximum bonus opportunity (150% of salary for the CEO and 135% for the CFO)
- The on-target level of vesting under the RSP is taken to be the face value of the proposed maximum 2023 grant (100% of salary for the CEO and the CFO)
- No share price appreciation has been assumed for the deferred bonus shares and the final column shows the maximum with the RSP benefiting from 50% share price appreciation

Approach to recruitment and promotions

The remuneration package for a new Executive Director would be set in accordance with the terms of the Company's prevailing approved Remuneration Policy at the time of appointment and take into account the skills and experience of the individual, the market rate for a candidate of that experience and the importance of securing the relevant individual.

Salary would be provided at such a level as required to attract the most appropriate candidate and may be set initially at a below mid-market level on the basis that it may progress towards the mid-market level once expertise and performance has been proven and sustained. Benefits and pensions would be provided in line with the prevailing approved policy. The annual bonus potential would be limited to 150% of salary and grants under the RSP would be limited to a maximum of 125% of salary. Where necessary, specific annual bonus targets may be introduced for an individual for the first year of appointment if it is appropriate to do so to reflect the individual's responsibilities and the point in the year at which they joined the Board. In addition, the Committee may offer additional cash and/or share-based elements to replace deferred or incentive pay forfeited by an executive leaving a previous employer. It would seek to ensure, where possible, that these awards would be consistent with awards forfeited in terms of vesting periods, expected value and performance conditions.

For an internal Executive Director appointment, any variable pay element awarded in respect of the prior role may be allowed to pay out according to its terms. In addition, any other ongoing remuneration obligations existing prior to appointment may continue.

For external and internal appointments, the Committee may agree that the Company will meet certain relocation and/or incidental expenses as appropriate, so as to enable the recruitment of the best people including those who need to relocate.

Notice periods for Executive Directors are normally 12 months. If appropriate, the Committee may agree, on the recruitment of a new Executive Director, to a notice period of 6 months but with the ability to increase this to 12 months over a specified period.

Service contracts and payments for loss of office**Executive Director contracts**

Andy Hornby and Kirk Davis both have a service contract with an indefinite term which is subject to 12 months' notice by either party. In respect of both the Chief Executive Officer and the Chief Financial Officer, in the event of early termination by the Company, the Company shall make a payment in lieu of notice equivalent to 12 months of base salary only. There are no provisions in respect of change of control within either contract.

Unexpired term of Non-Executive Directors' service contracts

	Date of original appointment	Commencement date of current term	Unexpired term as at March 2023
Ken Hanna	1 December 2021	1 December 2021	1 years, 9 months
Graham Clemett	1 June 2016	1 June 2022	2 years, 3 months
Zoe Morgan	1 January 2020	1 January 2023	2 years, 10 months
Alex Gersh	23 February 2021	23 February 2021	11 months
Lorraine Woodhouse	4 July 2022	4 July 2022	2 years, 4 months

Directors' remuneration report continued

Contractual provisions

It is the Company's policy that any new Executive Director appointment should have a service contract with an indefinite term which is subject to up to a year's notice by either party with provision, at the Board's discretion, for early termination by way of a payment in lieu of salary, with the ability to phase payments and mitigate such payments if alternative employment is obtained.

There will be no provisions in respect of a change of control.

Directors' service contracts are available for inspection at the central support office of the Group during normal business hours and will be available for inspection at the AGM.

Outstanding incentive awards

The annual bonus may be payable with respect to the period of the financial year worked, although it will be pro-rated for time and paid at the normal pay-out date.

Any share-based entitlements granted to an Executive Director under the Company's share plans will be determined based on the relevant plan rules. Any unvested deferred bonus plan awards will ordinarily vest on the normal vesting date, save where the departure is as a result of summary dismissal in which case the awards will lapse on cessation of employment. Any outstanding RSP (and legacy LTIP) awards will normally lapse on cessation of employment. However, in certain prescribed circumstances, such as death, ill-health, disability, retirement or other circumstances at the discretion of the Committee, "good leaver" status may be applied. Awards held by Executive Directors will normally vest on their scheduled vesting date, subject to the satisfaction of the relevant performance or underpin conditions at that time and reduced pro-rata to reflect the proportion of the normal vesting period actually served.

However, the Committee has discretion to determine that awards vest at cessation and/or to dis-apply time pro-rating.

In the event of a takeover (or other corporate event such as demerger, delisting, special dividend or other similar event which, in the opinion of the Remuneration Committee, would affect the market price of shares to a material extent) all awards will vest early subject to the extent that the performance or underpin conditions have been (or would have been, in the opinion of the Remuneration Committee) satisfied at that time and pro-rated to reflect the reduced period between grant and vesting relative to the normal vesting period (although the Committee can decide not to pro-rate an award if it regards it as inappropriate to do so in the particular circumstances). In the event of an internal reorganisation, awards may be exchanged for equivalent new awards over shares in the new holding company.

Non-Executive Directors

Letters of appointment for the Non-Executive Directors were each set for an initial three-year period (renewable thereafter for periods of three years). Non-Executive Directors are required to submit themselves for re-election every year.

The notice period for the Chair, Ken Hanna, is six months by either party. The notice period for the Non-Executive Directors is set at three months under arrangements that may generally be terminated at will by either party without compensation.

Directors' letters of appointment are available for inspection at the central support office of the Group during normal business hours and will be available for inspection at the AGM.

Fees payable for a new Non-Executive Director appointment will take into account the experience and calibre of the individual and current fee structure.

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

Zoe Morgan
Chair of the Remuneration Committee

7 March 2023

Directors' report

The Directors present their annual report together with the audited financial statements of the Company and the Group for the year ended 1 January 2023 with comparative information for the year ended 2 January 2022.

The Directors' report comprises these pages 67 and 68 and the other sections and pages of the Annual Report and Accounts cross-referred to below, which are incorporated by reference. As permitted by legislation, certain disclosures normally included in the Directors' report have instead been integrated into the Strategic report (pages 4 to 34).

Results and dividends

The results for the year are set out in the consolidated income statement on page 81. This shows a statutory loss after tax of £68.5m (2021: loss after tax of £40.3m as restated). If the impact of exceptional items is excluded then the Group adjusted profit after tax is £25.8m (2021: loss of £3.7m).

The Directors have currently suspended payment of dividends.

For definitions of the adjusted performance metrics used by the Group and how these reconcile to statutory measures, see the glossary on page 126.

Going concern

The Directors have adopted the going concern basis in preparing the Annual Report and Accounts after assessing the Group's principal risks. The Directors have reviewed financial projections to 31 March 2024 (the review period), containing a "base case", a "stress case" and a "reverse stress case" and concluded that the Group has sufficient liquidity and covenant headroom for the going concern review period. For more details, see Note 1 on page 85.

Directors and Directors' interests

The names of all persons who were Directors of the Company during the year can be found on page 36. Directors' interests in the shares of the Company can be found on page 56.

Directors of the Company may be appointed or removed under the terms of the Company's Articles of Association and relevant statutory provisions. All Directors are subject to annual re-election at the Company's AGM.

There are no agreements with the Company providing for compensation for loss of office for Directors or other employees resulting from a takeover bid.

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

The Company maintains Directors' and Officers' liability insurance. Details of the D&O insurance maintained by the Company can be found on page 38. Deeds have been executed indemnifying each Director of the Company as a supplement to the D&O insurance cover. The indemnities, which constitute a qualifying third-party indemnity provision as defined by section 234 of the Companies Act 2006, were in force during the 2022 financial year and remain in force for all current and past Directors of the Company from 2019.

Articles

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

Energy and greenhouse gas reporting

The disclosures concerning energy use and greenhouse gas emissions are included in the Environmental and Social report on page 34.

Relationships with suppliers, customers and other business partners

Details of the Company's approach to suppliers, customers and other business partners are included in the Environmental and Social report on pages 18 to 25, while the Company's section 172 statement on pages 16 and 17 sets out how the Directors have taken into account the needs of business partners and other stakeholders in decision-making.

Employee participation and engagement

The action taken during the year in relation to employee participation and engagement, including in terms of monitoring culture and values, is included in the Environmental and Social report on pages 23 to 25 and the Corporate Governance report on pages 38 and 39, as well as in the section 172 statement on pages 16 and 17.

Disabled employees

The Company's policy towards disabled employees is included in the Environmental and Social report on page 25.

Employee benefit trust (EBT) and share awards

Details of the Company's EBT arrangements can be found on page 109 (Note 20). Dividends on shares held by the EBT are waived.

The Company has an all-employee Save As You Earn (SAYE) scheme, a Restricted Share Plan, and a Deferred Bonus scheme. Details of share-based payments during the year can be found on pages 110 to 111 (Note 21).

Directors' report continued

Capital structure

The Company's issued share capital at 1 January 2023 consisted of 765,062,398 ordinary shares of 28.125 pence each. There are no special control rights, restrictions on share transfer or voting rights, or any other special rights pertaining to any of the shares in issue, and the Company does not have preference shares. During the year, a total of 15,798 new ordinary shares in the capital of the Company were issued as a result of employee exercises of options awarded under the Company's SAYE share scheme.

The Company was authorised by shareholder resolution at the 2022 Annual General Meeting to purchase up to 10% of its issued share capital. No shares were purchased pursuant to this authority during the year. A resolution to renew this authority will be proposed at the forthcoming Annual General Meeting.

At the last Annual General Meeting, the Company was also given authority to allot shares up to a specified limit. A similar resolution will be sought at this year's AGM.

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

Substantial shareholdings

As at 1 January 2023, the Company was aware of the following interests of 3% or more in the issued share capital of the Company:

	Number of shares	% of issued share capital
Columbia Threadneedle Investments	129,507,290	16.93%
Oasis Management	38,262,777	5.00%
Royal London Asset Management	36,128,016	4.72%
Vanguard Group	28,354,422	3.71%
Fidelity Investments	26,458,410	3.46%

Since 1 January 2023 and up to the date of this report, the Company has received no notifications under the Disclosure and Transparency Rules in respect of any interests of 3% or more in the issued share capital of the Company.

Financial instruments and financial risk management

The Group's policy on the use of financial instruments is set out in Note 24 to the financial statements. The Group's financial instruments, financial risk management, key terms and debt covenants are set out in Note 23 to the financial statements.

Future developments

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

Corporate governance

The Company's statement on corporate governance can be found in the Corporate Governance report on page 36. The Corporate Governance report forms part of this Directors' report and is incorporated into it by cross-reference.

Political donations

The Company did not make any political donations during the year (2021: nil).

Significant post-balance sheet events

There have been no significant post-balance sheet events.

Independent Auditor

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

Disclosure of information to the External Auditor

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

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

By order of the Board.

Kirk Davis
Chief Financial Officer

7 March 2023

Risk Committee and Key Group Risks

Risk Committee

The Risk Committee supports and assists the Board in its oversight of the current risk exposures of the Company and future risk strategy. It is responsible for identifying the risks that the Group faces and for reviewing the controls and mitigations that are in place and future action plans. The Committee has responsibility for governance of the Company's risk management processes, for monitoring and assessing the effectiveness of the risk management systems, and for reporting on risk management and risk exposures to the Audit Committee and ultimately the Board.

Membership, attendance and meetings

The Committee is chaired by the Chief Financial Officer. Its membership comprises the General Counsel/Company Secretary, the Group Finance Director, the Chief Information Officer, the People Director, the Group Purchasing Director, the Group Property Director and the Head of ESG Programme. Employees from across the business may attend Committee meetings by invitation in order to assist the Committee in discharging its duties.

The Chief Financial Officer reports to the Audit Committee on the Committee's proceedings at the subsequent Audit Committee meeting, where the aggregated Key Group Risks register is also tabled and reviewed. The Committee held four meetings in 2022.

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 assesses the risks faced by the business and considers these when setting the business model and strategic objectives for the Group to ensure the business operates within appropriate risk parameters.

Risk management process

Each business unit and functional area of the Group is responsible for identifying and assessing its risks across a one-to-three year timescale on an ongoing basis, providing formal updates each quarter. This process identifies the likelihood of occurrence of any individual risk, the potential impact on the Group, the mitigating controls in place, the resulting net risk and any relevant future action plans. The Risk Committee has sight of both the functional and divisional risk registers, as well as the climate-related risks and opportunities register, from which a consolidated view of the Group's key risks is developed.

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.

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

Board

Overall responsibility for risk management

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

Audit Committee

Delegated responsibility with regular review of risk management procedures

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

Risk Committee

Responsibility for review and management of individual risks across the Group, considering overall risk priorities across each function and assessing emerging risks including those relating to climate change

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

Emerging risk

The Committee also reviews emerging and longer-term risks, including those related to climate and the environment, to ensure that appropriate steps are taken at the right time.

Principal risk factors

Set out on the following page is a list of what the Directors, on the advice of the Risk and Audit Committees, consider to be the current principal risks of the Group together with the mitigation plans and risk management strategy.

Risk Committee and Key Group Risks continued

Risk	Mitigating Factors and Controls
<p>Reduced Consumer Demand</p> <ul style="list-style-type: none"> • Due to cost-of-living increases and significant inflation levels • As a result of the impact on wider hospitality industry from transport strikes 	<ul style="list-style-type: none"> • Broad portfolio of brands that offer a range of cuisines across various customer demographics • Flexible capital allocation policy to ensure that plans are adapted to a changing economic environment • Ongoing focus on ensuring value for money offering across the brands with regular price benchmarking against competitor pricing • Periodic business review process and weekly trading meeting to review and assess any adaptation required to trading plans • Detailed monitoring of key cost lines in 2023 Budget
<p>Supply Chain Inflation</p> <ul style="list-style-type: none"> • Increases in cost of goods sold inflation due to commodity, labour, distribution and utilities costs rises within the supply chain • Significant inflation due to the Russia-Ukraine war impacting world markets • Higher sourcing costs/supply issues for ingredients caused by increased climate-related extreme weather events impacting harvests 	<ul style="list-style-type: none"> • Continuing to streamline supply base to efficiently meet the requirements of our revised estate • Inflation tracked by brand with monthly CFO review and business updates provided to divisional teams • Keep identifying and delivering against a good pipeline of commercial opportunities which includes bringing new suppliers to market • Working with the development and operations teams to inform on inflation risks and agree mitigation opportunities which could include adapting menus • Dual sourcing of essential products
<p>Employee Recruitment and Retention</p> <ul style="list-style-type: none"> • Failure to attract, retain, or develop chefs, and general and senior managers • Employee turnover is excessive across the industry for front of house, back of house and management roles. Risk of high employee turnover is greater due to the current age profile and increased part-time nature of the workforce 	<ul style="list-style-type: none"> • Implementation of a new recruitment process to enhance the quality of team selection • Continued improvement of onboarding and induction process focused on the first 90 days of employment to improve employee engagement, as well as ongoing training opportunities • Extension of our apprenticeship schemes across the brands to further enhance team development with a particular focus on back of house roles • Ongoing review of the need to increase attraction/retention payments for key roles, e.g. chefs • Ongoing focus on wellbeing and mental health • Increased focus on diversity
<p>Allergen Incident</p> <ul style="list-style-type: none"> • Serious allergen incident involving adverse customer reaction or death as a result of failure of procedures on site or incorrect ingredient data being provided by suppliers 	<ul style="list-style-type: none"> • Detailed database built up by ingredient/supplier and testing process including physical verification • Allergy advice and information on all brand websites and menus • All-staff training focused on asking about allergies and reinforcing best practice. Ongoing refresher training delivered • Weekly monitoring of training status for current and new employees, with compliance statistics sent out to the operations teams
<p>Cybersecurity and Data Protection</p> <ul style="list-style-type: none"> • Liability for breaching GDPR legislation and risk associated with the failure to mitigate against external attacks on systems and networks, loss or corruption of data and inadequate internal processes over the handling and management of data 	<ul style="list-style-type: none"> • Data protection policies and procedures in place • Staff communications and training on data protection provided, with monitoring of completion rates • Vulnerability assessments conducted monthly and remediation works undertaken • Annual penetration tests for all external services • Cyber insurance in place • Cookie compliance project to ensure all main customer-facing sites fully compliant using OneTrust solution

Directors' responsibility statements

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with UK-adopted international accounting standards ("IFRSs"), and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period.

In preparing these financial statements the Directors are required to:

- Select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- Provide additional disclosures when compliance with the specific requirements in IFRSs and in respect of the parent company financial statements, FRS 101, is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Company financial position and performance
- In respect of the Group financial statements, state whether UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- In respect of the parent company financial statements, state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and/ or the Group will continue in business

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

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic report, Directors' report, Directors' remuneration report and Corporate Governance statement that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

The Directors confirm, to the best of their knowledge:

- That the consolidated financial statements, prepared in accordance with UK-adopted international accounting standards give a true and fair view of the assets, liabilities, financial position and profit of the parent company and undertakings included in the consolidation taken as a whole
- That the Annual Report, including the Strategic report, includes a true and fair review of the development and performance of the business and the position of the Company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face
- That they consider the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy

For and on behalf of the Board.

Andy Hornby
Chief Executive Officer

7 March 2023

Kirk Davis
Chief Financial Officer

7 March 2023

Independent Auditor's report

to the members of The Restaurant Group plc

Opinion

In our opinion:

- The Restaurant Group plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 01 January 2023 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of The Restaurant Group plc (the "parent company") and its subsidiaries (the "group") for the year ended 01 January 2023 which comprise:

Group	Parent company
Consolidated balance sheet as at 1 January 2023	Balance sheet as at 1 January 2023
Consolidated income statement for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 1 to 6 to the financial statements including a summary of significant accounting policies
Consolidated cash flow statement for the year then ended	
Related notes 1 to 27 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

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

- confirming our understanding of the Group's going concern assessment process and Management's related Board papers;
- assessing and challenging the appropriateness of the duration of the going concern review period to end of March 2024 and considered whether there are any known events or conditions that will occur in the short-term following the going concern period which would impact our considerations;
- validating the covenants and terms of the debt facilities included in the model to executed debt agreements and reperformed the calculation of the Net Debt and minimum liquidity covenants against the terms of these agreements;
- challenging whether the cashflow forecasts and assumptions included within the base, stress cases and reverse stress are appropriate by comparing them to internal Board approved budget and external sources such as industry benchmarks. The most significant assumptions for the forecasts are the growth rates applied to each of the divisions, and the food and utilities inflationary rates;
- we have assessed the consistency of the base case cash flows with the cash flow forecasts used within our impairment assessment;
- further challenging the cashflow forecasts with reference to historical trends, granular weekly sales and qualitative detail on the expectation for each business unit and assessing that the downside sensitivity has been appropriately applied within the stress case. We have considered the extent to which any evidence or market forecasts which may contradict the assumptions used in managements forecast;
- challenging the customer base of the different divisions within the group to consider any expected impact on their spending levels as a result of the cost-of-living crisis;
- reperforming the reverse stress test scenario and challenging the likelihood of occurrence as remote;
- challenging the integrity of the model used by re-performing calculations and testing the formulas being applied throughout;
- challenging management on their mitigating actions which include the ability to increase price, undertake a central cost reduction program and further reductions in capital expenditure plans. We challenge whether these are within their control. As part of this we have challenged the time needed for these to have an impact and also the point in time in which these might need to be activated;
- reviewing the latest available weekly sales report to the end of February 2023 to compare actual results against the forecast prepared;
- considering any events after the going concern period which may impact our conclusion, noting no material events;
- enquiring for any climate change commitments in the going concern period and challenging whether any associated cash outflows should be included within the forecasts; and
- assessing the appropriateness of the going concern disclosures in describing the risks associated with the Group's ability to continue as a going concern for the review period to the end of March 2024.

The key observations we communicated to the Audit Committee were that the group following the amend and extend refinancing arrangements agreed in December 2022, has committed borrowing facilities and available liquidity through the going concern period (under both the base case and downside case). In management's base case and sensitised scenarios (which reflect a slowdown in customer spending influenced by the current cost of living crisis, however partially offset by planned price increases) the group remains in compliance with most sensitive covenant, the Net Debt:EBITDA covenant, through the going concern period, as well as the RCF:EBITDA covenant. In addition, based on the reverse stress testing, the events that would lead to liquidity being compromised were considered of remote likelihood by management.

Going concern has also been determined to be a key audit matter.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period to 31 March 2024.

In relation to the group and parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Independent Auditor's report continued

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

Overview of our audit approach

Audit scope	<ul style="list-style-type: none">• We performed an audit of the complete financial information of the two components.• The components where we performed full audit procedures accounted for 100% of EBITDA before exceptional items, 100% of Revenue and 100% of Total assets.
Key audit matters	<ul style="list-style-type: none">• Impairment of property, plant and equipment and right-of-use asset• Management override in recognition of revenue• Going concern
Materiality	<ul style="list-style-type: none">• Overall group materiality of £3.1m which represents 2.2% of EBITDA before exceptional items.

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

Tailoring the scope

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

The components we performed audit procedures on accounted for 100% of the Group's EBITDA before exceptional items, revenue and total assets. All audit work performed for the purposes of the audit was undertaken by the Group audit team.

Climate change

Stakeholders are increasingly interested in how climate change will impact The Restaurant Group plc. The Group has determined that the most significant future impacts from climate change on their operations will be from higher sourcing costs/supply issues for ingredients caused by increased extreme weather events impacting harvests and the risk of increased extreme weather events (e.g. heatwaves, flooding) in the UK causing reduced footfall/restaurant closures and impacting staff travel and wellbeing. These are explained in the required Task Force for Climate related Financial Disclosures and in the principal risks and uncertainties. They have also explained their climate commitments on pages 26 to 34. All of these disclosures form part of the "Other information", rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

The group has explained in the basis of preparation (Note 1 of the financial statements) how they have reflected the impact of climate change in their financial statements.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition, their climate commitments, the effects of material climate risks disclosed on pages 26 to 34 and the significant judgements and estimates disclosed in Note 1. As part of this evaluation, we performed our own risk assessment, supported by our climate change internal specialists, to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

We also challenged the Directors' considerations of climate change risks in their assessment of going concern and viability and associated disclosures. Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Impairment of property, plant and equipment and right-of-use asset</p>	<p>We gained an understanding through a walkthrough of the process and controls management has in place over the impairment process.</p>	<p>Based on our audit procedures we have concluded the impairment charge and reversal credit are appropriately determined. We highlighted that a reasonably possible change in certain key assumptions including sales forecasts and inflation could lead to material additional impairment charges or reversals in the future.</p>
<p>(2022: £495.3m net book value and £106.4m net impairment charge; 2021: £574.5m net book value and £25.9m net impairment charge)</p>	<p>We validated that the methodology of the impairment exercise continues to be consistent with the requirements of IAS 36 Impairment of Assets, including appropriate identification of cash generating units for value in use calculations.</p>	<p>We concluded appropriate disclosures had been included by management for the above assumptions.</p>
<p><i>Refer to the Audit Committee Report (page 46); Accounting policies (page 90); and Note 14 of the Consolidated Financial Statements (page 104)</i></p>	<p>We confirmed the mathematical accuracy and integrity of the models.</p>	
<p>At 01 January 2023 TRG operated c.409 sites (2021: c.400) which comprise the majority of the Group's property, plant and equipment (PPE) and right-of-use asset balance. As at 01 January 2023 the carrying value of PPE is £257.7m (2021: £285.1m) and right-of-use asset is £237.6m (2021: £289.4m).</p>	<p>Below we summarise the procedures performed in relation to the key judgements for the tangible (PP&E and ROUA) assets impairment review:</p>	
<p>Management assessed for impairment indicators across all the group's cash-generating units (CGUs), considering a range of indicators including a CGU's performance against budget and forecast EBITDA.</p>	<p>We challenged management's forecasts in calculating the value in use through challenging past and current performance and external future economic forecasts incorporating the impact of the cost-of-living crisis on the hospitality sector in the UK and inflation levels.</p>	
<p>Impairment for tangible assets is tested on the basis of each individual cash generating unit (CGU) – an individual restaurant or pub site or multiple sites that are in close proximity such as airports where trading is interdependent.</p>	<p>We critically challenged and assessed the three year growth rates and terminal growth rates applied by management by comparing to external forecasts and benchmarks.</p>	
<p>In addition to this, impairment for goodwill is tested on the basis of the groupings of each individual cash generating unit (CGU) to which the goodwill relates.</p>	<p>We have assessed the process for allocating forecast cashflows to individual stores.</p>	
	<p>We re-performed sensitivity analysis based on reasonable possible changes to key assumptions determined by management being revenue, discount rate and long-term growth rate.</p>	
	<p>We engaged our EY internal specialists to independently calculate the appropriate discount rate range and compare it to the discount rate applied in the models by management.</p>	

Independent Auditor's report continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Impairment of property, plant and equipment and right-of-use asset continued</p> <p>This is a significant risk due to the level of management judgement required in the assumptions determining the impairment assessment. There were indicators of impairment across the group following the expectations of a shallow recession in 2023 and significant increases in inflationary pressure relating to cost of goods sold, labour and utilities.</p> <p>Indicators of impairment reversals at certain sites which have improved trading prospects, mainly for airport sites which are driven in particular by the passenger recovery in airports. As such, the actual trading performance of these stores has been better than that budgeted in previous impairment assessments.</p> <p>The main assumptions are revenue forecast on site-by-site cash flows, related cost profile, discount rate, three year forecasts for the CGU's and the long-term growth rate.</p> <p>The impairment charge is treated as exceptional in the Income Statement.</p>	<p>We assessed if there were indicators of impairment reversal given the passenger recovery in airport sites; and assessed management's estimate of the reversal value, challenging whether there has been sufficient improved performance to support any reversal of impairment.</p> <p>We have challenged the results of the impairment review of goodwill (and other intangible assets) alongside the results of the impairment review of property, plant and equipment and right-of-use assets to consider the recoverability of the assets of the Group in totality.</p> <p>We assessed the disclosures in notes to the financial statements against the requirements of IAS 36 Impairment of Assets, in particular the requirement to disclose further sensitivities for CGUs where a reasonably possible change in a key assumption would cause an impairment. We also assessed the related exceptional item accounting treatment by reference to the company's accounting policy, industry practice and the FRC guidance.</p> <p>Scope of our procedures</p> <p>We performed full scope audit procedures over this risk area in the UK location (reviewing procedures on all of the Group's restaurants, pubs and concession sites), which covered 100% of the risk amount.</p>	

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Management override in the recognition of revenue (2022: £883m; 2021: £636.6m)</p> <p><i>Refer to the Audit Committee Report (page 46); Accounting policies (page 91); and Note 4 of the Consolidated Financial Statements (page 95).</i></p> <p>There is a presumption within auditing standards that revenue recognition is a significant risk and a fraud risk. TRG's revenue (for both components of the Group) is typically comprised of a large number of low value and non-complex transactions, with no judgement applied over the amount recorded. We will perform a separate correlation for both components of the Group.</p> <p>Thus, we consider the prime risk relating to revenue to be around management override of controls and topside journals to revenue across the two components, resulting in revenue being overstated or not recorded.</p>	<p>We gained an understanding through a walkthrough of the process and controls that management has in place over the recording of revenue, including the recording of top side journal adjustments.</p> <p>We applied correlation data analysis over the group's entire revenue journal population to identify how much of the group's revenue is converted to cash postings and to isolate non-standard revenue transactions for further analysis, focusing our testing on higher risk transactions identified. We selected the higher risk journal entries and other adjustments for testing throughout the period and paid special attention to the adjustments made at or near the end of the reporting period, post-closing adjustments and other adjustments made to record transactions outside the normal course of business and performed substantive procedures to obtain sufficient appropriate audit evidence that those entries were properly supported and approved. This has included performing testing of the revenue recognised in relation to gift cards and the deferred income recognised on the balance sheet with respect to unutilised gift cards.</p> <p>We searched for any topside journals to revenue.</p> <p>We performed cut-off testing procedures including review of post period end cash receipts and journals, and an analytical review of significant variances to the prior year, to assess for completeness.</p> <p>Scope of our procedures</p> <p>We performed full scope audit procedures over all of the Group's revenue, which covered 100% of the risk amount.</p>	<p>We concluded that revenue was materially stated.</p> <p>We did not identify any instances of management override in relation to revenue.</p>

Independent Auditor's report continued

Our application of materiality

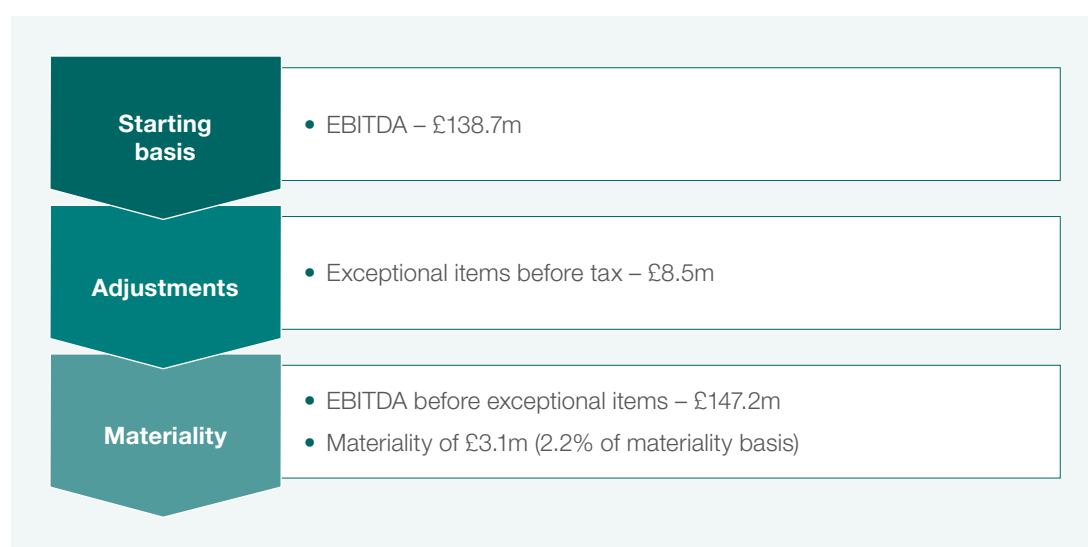
We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

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

We determined materiality for the Group to be £3.1 million (2021: £2.7 million), which is 2.2% (2021: 2.4%) of EBITDA before exceptional items. We believe that EBITDA before exceptional items continues to be an appropriate materiality basis due to its prominence in financial reporting to the Group's equity and debt stakeholders.

We determined materiality for the Parent Company to be £6.8 million (2021: £6.8 million), which is 1% (2021: 1%) of net assets.



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

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2021: 50%) of our planning materiality, namely £1.5m (2021: £1.4m). We have set performance materiality at this percentage reflecting the incidence of audit differences identified in the previous year.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.8m to £1.0m (2021: £1.0m).

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.15m (2021: £0.14m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Independent Auditor's report continued

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

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

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

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

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

Other matters we are required to address

- Following the recommendation from the audit committee, we were appointed by the company on 9 October 2018 to audit the financial statements for the year ending 30 December 2018 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 5 years, covering the years ending 30 December 2018 to 01 January 2023.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

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

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

London
8 March 2023

Consolidated income statement

	Note	52 weeks ended 1 January 2023			53 weeks ended 2 January 2022		
		Trading business £m	Exceptional items (Note 7) £m	Total £m	Trading business £m	Exceptional items (Note 7) ¹ £m	Total ¹ £m
Revenue		883.0	–	883.0	636.6	–	636.6
Cost of sales ²		(762.8)	(120.7)	(883.5)	(548.2)	(23.7)	(571.9)
Gross profit/(loss)	5	120.2	(120.7)	(0.5)	88.4	(23.7)	64.7
Share of results of associate		–	–	–	(0.3)	–	(0.3)
Administration costs ²		(47.5)	(1.7)	(49.2)	(51.0)	(1.6)	(52.6)
Operating profit/(loss)		72.7	(122.4)	(49.7)	37.1	(25.3)	11.8
Interest payable	8	(42.3)	(7.0)	(49.3)	(45.7)	(1.9)	(47.6)
Interest receivable	8	0.3	11.9	12.2	0.6	–	0.6
Profit/(loss) on ordinary activities before tax		30.7	(117.5)	(86.8)	(8.0)	(27.2)	(35.2)
Tax on profit/(loss) from ordinary activities	9	(4.9)	23.2	18.3	4.3	(9.4)	(5.1)
Profit/(loss) for the year		25.8	(94.3)	(68.5)	(3.7)	(36.6)	(40.3)
Other comprehensive income							
Foreign exchange differences arising on consolidation		(0.4)	–	(0.4)	0.1	–	0.1
Total comprehensive profit/(loss)		25.4	(94.3)	(68.9)	(3.6)	(36.6)	(40.2)
Profit/(loss) per share (pence)							
Rights adjusted basic ¹	10	3.3	–	(9.0)	(0.5)	–	(5.6)
Rights adjusted diluted ¹	10	3.4	–	(9.0)	(0.5)	–	(5.6)
EBITDA		147.2	(8.5)	138.7	115.2	0.6	115.8
Depreciation, amortisation and impairment		(74.5)	(113.9)	(188.4)	(78.1)	(25.9)	(104.0)
Operating profit/(loss)		72.7	(122.4)	(49.7)	37.1	(25.3)	11.8

1 Restated – refer to Note 2.

2 Cost of sales and administration reclassification in the current year – refer to Note 2.

Consolidated balance sheet

	Note	At 1 January 2023 £m	At 2 January 2022 ¹ £m
Non-current assets			
Intangible assets	11	604.1	599.9
Right of use assets	12	237.6	289.4
Property, plant and equipment	13	257.7	285.1
Derivative financial instruments	23	15.4	2.1
Trade and other receivables	15	8.2	4.7
Total assets		1,123.0	1,181.2
Current assets			
Inventory		6.5	6.0
Trade and other receivables	15	18.3	13.9
Prepayments		8.0	6.1
Cash and cash equivalents	23	27.7	146.5
		60.5	172.5
Total assets		1,183.5	1,353.7
Current liabilities			
Trade and other payables	16	(160.7)	(128.3)
Provisions ¹	17	(2.3)	(3.1)
Lease liabilities	18	(55.0)	(73.1)
		(218.0)	(204.5)
Net current liabilities		(157.5)	(32.0)
Long-term borrowings	23	(213.4)	(318.1)
Deferred tax liabilities ¹	19	(25.8)	(43.6)
Provisions ¹	17	(5.3)	(3.2)
Lease liabilities	18	(341.0)	(337.3)
		(585.5)	(702.2)
Total liabilities		(803.5)	(906.7)
Net assets		380.0	447.0
Equity			
Share capital	20	215.2	215.2
Share premium		–	394.1
Other reserves		1.6	0.1
Retained earnings ¹		163.2	(162.4)
Total equity		380.0	447.0

1 Restated – refer to Note 2.

The financial statements of The Restaurant Group plc (company registration number: SC030343) on pages 81 to 117 were approved by the Board of Directors and authorised for issue on 7 March 2023 and were signed on its behalf by:

Andy Hornby
CEO

Kirk Davis
CFO

Consolidated statement of changes in equity

	Note	Share capital £m	Share premium £m	Other reserves £m	Retained earnings £m	Total £m
Balance at 27 December 2020		165.9	276.6	(3.9)	(131.3)	307.3
Loss for the year ¹		–	–	–	(31.1)	(31.1)
Other comprehensive income		–	–	0.1	–	0.1
Total comprehensive income/(loss)		–	–	0.1	(31.1)	(31.0)
Gross proceeds from share issue		49.3	125.9	–	–	175.2
Share issue transaction costs		–	(8.4)	–	–	(8.4)
Share-based payments		–	–	3.4	–	3.4
Deferred tax on share-based payments taken directly to other reserves	19	–	–	0.5	–	0.5
Balance at 2 January 2022		215.2	394.1	0.1	(162.4)	447.0
Loss for the year		–	–	–	(68.5)	(68.5)
Other comprehensive income		–	–	(0.4)	–	(0.4)
Total comprehensive income/(loss)		–	–	(0.4)	(68.5)	(68.9)
Cancellation of share premium	20	–	(394.1)	–	394.1	–
Share-based payments		–	–	2.4	–	2.4
Deferred tax on share-based payments taken directly to other reserves	19	–	–	(0.5)	–	(0.5)
Balance at 1 January 2023		215.2	–	1.6	163.2	380.0

¹ Restated – refer to Note 2.

Consolidated cash flow statement

	Note	52 weeks ended 1 January 2023 £m	53 weeks ended 2 January 2022 £m
Operating activities			
Cash generated from operations	22	150.5	128.1
Interest received		–	–
Interest paid		(21.3)	(20.6)
Corporation tax (paid)/repayment		–	(2.6)
Payment against provisions ¹	17	(1.7)	(5.6)
Payment of exceptional costs ¹	7	(8.6)	(7.7)
Net cash flows from operating activities		118.9	91.6
Investing activities			
Purchase of property, plant and equipment	13	(54.2)	(31.1)
Purchase of intangible assets	11	(5.4)	(2.7)
Proceeds from disposal of property, plant and equipment		0.8	–
Investment in associate		–	(0.3)
Purchase of Barburrito Group Limited	27	(6.3)	–
Net cash flows from investing activities		(65.1)	(34.1)
Financing activities			
Net proceeds from issue of ordinary share capital	20	–	166.8
Repayment of obligations under leases	18	(59.8)	(48.7)
Repayment of borrowings	23	(110.0)	(383.6)
Drawdown of borrowings	23	–	330.0
Upfront loan facility fee paid	23	(1.4)	(14.6)
Derivative financial instruments fees paid	23	(1.4)	(1.6)
Net cash flows used in financing activities		(172.6)	48.3
Net increase/(decrease) in cash and cash equivalents		(118.8)	105.8
Cash and cash equivalents at the beginning of the year	23	146.5	40.7
Cash and cash equivalents at the end of the year	23	27.7	146.5

¹ Restated – refer to Note 2.

Notes to the consolidated accounts

52 weeks ended 1 January 2023

1 Accounting policies for the consolidated accounts

The Restaurant Group plc (the “Company”) is a public listed company incorporated and registered in Scotland. The consolidated financial statements of the Group for the year ended 1 January 2023 comprise the Company and its subsidiaries (together referred to as the “Group”). The principal activity of the Group during the period continued to be the operation of pubs and restaurants.

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with UK Adopted International Financial Reporting Standards (IFRS) and as applied in accordance with the provisions of the Companies Act 2006.

(b) Going concern basis

The directors have adopted the going concern basis in preparing the Annual Report and Accounts after assessing the Group’s principal risks including current macroeconomic headwinds, relating to the cost-of-living crisis, elevated levels of inflation and utility market volatility. In conducting their review, the Directors have concluded that the Group, and Company, has sufficient liquidity and covenant headroom for the going concern review period to 31 March 2024.

The Group has substantial liquidity with £139m in cash and cash equivalents, or available facilities at the balance sheet date. Following an amend and extend in December 2022 these facilities are committed until at least March 2027. The facilities consist of a £220m Term loan and a £120m RCF. Further details of the Group’s debt facilities and covenants are in Note 15 to the Accounts.

Whilst the Group has an encouraging start to the year, with current trading above forecast, the Directors remain cautious about the ability for our customers to continue their current level of spending in our restaurants and pubs whilst their cost-of-living crisis continues and specifically the unprecedented increases in UK household energy bills. In preparing the “base case” forecast for the period of going concern to 31 March 2024, the Directors have assumed that sales volumes would moderate marginally throughout the period from current levels and have included the impact of inflation at its current elevated levels throughout 2023 and then a moderation of inflation in 2024. In this forecast, available liquidity does not drop below £104.5m compared to a minimum liquidity covenant of £40m, and Senior Secured Net Leverage does not exceed 2.9x against a covenant of no more than 5.0x.

In addition, the Board has considered a “stress case” scenario where sales volumes have been further reduced by 5% across all divisions and with the benefit of 1% incremental price, the net impact on sales is assumed to be 4% below the base case. In this “stress case” scenario following management mitigation, which includes the ability to further increase our selling prices, conduct a central cost reduction programme and to refine our uncommitted capital expenditure plans, liquidity falls to a minimum of £89m, and Senior Secured Net Leverage increases to 3.4x but still within the covenants of the Group’s banking facilities.

The Board have also considered a reverse stress case to determine the level by which sales volume would need to fall from the “base case” before there is a risk of a leverage covenant breach, which is the most sensitive covenant. Pre-mitigating actions, the level of sales volume decline compared to the base case is 7.4%. Following mitigating actions, that are completely within managements control, which includes the ability to increase selling prices, conduct a far more extensive central cost reduction program and further refinement to capital expenditure plans the level of sales volume decline compared to the base case increases to 14.6%. The Board considers this level of sales volume decline over a sustained 12 month period as remote due to current trading (in the first eight weeks) being ahead of the base case, the current economic outlook from the Bank of England and the International Monetary Fund is for a shallow recession in 2023 and that during the last economic recession the Group only experienced a modest sales decline of less than 2% in 2009 compared to the prior year and less than 1% in 2010 when compared to 2009.

However, if this level of sales volume decline was experienced on a sustained basis, the Group would take further decisive actions which is within its control to reduce further both its operating costs and capital expenditure to mitigate the potential risk of a covenant breach. Furthermore, the directors would also engage with its lending group for covenant waivers, which were provided during the pandemic given similarly extreme circumstances.

As a result of the above analysis, where the base and stress case show adequate liquidity and leverage covenant headroom and the level of sales volume decline required in a reverse stress case to risk a covenant breach is considered remote, the Board has a reasonable expectation that the Group, and Company, have adequate resources to continue in operational existence for the period to 31 March 2024. On this basis, the Directors continue to adopt the going concern basis of preparation.

(c) Basis of preparation

The financial year runs to a Sunday within seven days of 31 December each year which will be a 52 or 53 week period. The year ended 1 January 2023 was a 52 week period, with the comparative year to 2 January 2022 being a 53 week period.

Notes to the consolidated accounts continued

52 weeks ended 1 January 2023

1 Accounting policies for the consolidated accounts continued

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

The consolidated financial statements prepared in accordance with UK Adopted International Financial Reporting Standards (IFRS) and in accordance with the provisions of the Companies Act 2006, requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

The Group's risk assessment process identified a number of material risks to the business together with mitigating plans established to manage the risk in accordance with our risk appetite. See pages 69 to 70. Climate related risks were included as an integral element of individual risks identified, where appropriate.

In preparing the financial statements, the Directors considered the impact of climate change, particularly in the context of the risks identified in the Group's TCFD disclosure on pages 26 to 34. The Directors do not consider that there is a material impact on the financial statements from climate change. In particular, climate change was considered in respect to the following areas:

- The carrying value and useful economic lives of property, plant and equipment
- Estimations of cash flows used in impairment assessments of non-current assets
- Going concern and viability assessments over the next three years, including capital expenditure forecasts

As the Group's risk assessment process is iterative and the impact of any risk can change over time, the Group will continue to assess whether climate change has had or will have a material impact on the business, its operations, and the preparation of financial statements.

Future accounting policies

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

New standards and interpretations not yet adopted

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

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) (effective date 1 January 2023)
- Definition of Accounting Estimates (Amendments to IAS 8) (effective date 1 January 2023)
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1) and Deferral of Effective Date Amendment (effective date 1 January 2023)

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future years and will adopt the new and revised IFRSs as and when they become effective.

Changes in accounting policies

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

- IBOR Phase 2 (effective date 1 January 2021)
- Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16 (effective date 1 January 2022)
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018-2020
- Reference to the Conceptual Framework – Amendments to IFRS 3.

d) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company possess power over the investee, has exposure to variable returns from its involvement with the entity and has the ability to use its power over the investee to affect its returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

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

(e) Foreign currency – transactions and balances

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the date of the balance sheet. Transactions in foreign currencies are translated into sterling at the rate of exchange at the date of the transaction. The resulting exchange differences are recognised in the consolidated income statement. Exchange differences arising from the retranslation of the net equity in associates is recognised in Other Comprehensive Income.

(f) Property, plant and equipment and intangible assets

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

Pre-opening costs

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

For sites which have incurred depreciation on an associated right of use asset, where the site is under construction, the depreciation charge is capitalised up to the date of opening, unless abnormal wastage is deemed to have arisen at which point the related costs are recognised within the income statement during the period abnormal wastage occurred.

Subsequent costs

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

Depreciation

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

Freehold land	Indefinite
Freehold buildings	50 years
Leasehold improvements	Term of lease or 50 years, whichever is lower
Fixtures and equipment	3-10 years
Computer equipment	3-5 years

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

Intangible assets – Goodwill

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

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

Notes to the consolidated accounts continued

52 weeks ended 1 January 2023

1 Accounting policies for the consolidated accounts continued

Intangible assets – Trademarks

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

Intangible assets – Franchise agreements

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

Software and IT development

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

For implementation costs in a cloud service contract which are distinct from the related software, the costs are recognised as an expense as incurred (as the service is received) unless it gives rise to a separate intangible asset. The costs of services provided by the cloud vendor, which are not distinct from access to the software are recognised as an expense over the period of access to the software.

(g) Leases

i) Right of use assets

Right of use assets are initially measured at the value of the corresponding lease liability and subsequently adjusted for depreciation and for any remeasurement of the lease liability. Right of use assets are assessed for impairment where required by IAS 36.

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful economic life of the right of use asset or the end of the lease term.

ii) Lease liabilities

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

Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable and variable payments.

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

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

iii) Short-term leases and leases of low-value assets

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

Group as lessor

The Group has a number of contractual headlease agreements in place with its landlords, giving the Group the option to sub-lease these properties to licensees. Where the sublease transfers substantially all the risks and rewards of ownership of the underlying asset, the head lease right of use asset has been derecognised and a net investment in the sublease will be recognised. Where the sublease does not transfer substantially all the risks and rewards of ownership of the underlying asset, the headlease has been recognised as a right of use asset and liability on the consolidated balance sheet, while any subleases are recognised as operating leases. This operating lease recognition is based on the substance of the transaction, as the sublease has a shorter tenure than the headlease and once the sublease ends, the use and benefit of the property returns to the Group.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

(h) Financial assets

Classification

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets and non-current assets. The Group's loans and receivables comprise "cash and cash equivalents" and "other receivables" in the balance sheet.

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

Fair value through profit and loss

Financial assets classified as fair value through profit and loss relate to interest rate cap derivative instruments that the Group entered into during 2021 and 2022.

Recognition and measurement

Loans and receivables

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

Fair value through profit and loss

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

(i) Financial liabilities – Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. The effective interest rate is calculated upon initial recognition of a financial liability and discounts contractual cash flows through the life of the related financial instrument. In calculating the contractual cash flows management has used external estimates of the future SONIA rate and management forecasts of Group performance used within the going concern assessment.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. This is also applicable to fees for amendments to the loan facilities. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

An exchange of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. In a non-substantial modification, the liability is restated based on the net present value of the revised cash flows discounted at the original effective interest rate.

(j) Inventory

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

(k) Cash and cash equivalents

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

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

Notes to the consolidated accounts continued

52 weeks ended 1 January 2023

1 Accounting policies for the consolidated accounts continued

(l) Impairment

The Group formally determines whether the carrying amount of property, plant and equipment and right of use assets ("RoUA") are impaired by considering indicators of impairment annually. Impairment for tangible assets is tested on the basis of each individual cash generating unit (CGU) – an individual restaurant or pub site or multiple sites that are in close proximity, such as airports where trading is interdependent. For intangible assets, the testing is performed at the level of the relevant group of CGUs that benefit from the goodwill or other intangible asset. An impairment loss is recognised whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. This requires the Group to determine the lowest level of assets which generate largely independent cash flows and to determine their recoverable amount, based on estimating the value-in-use or the fair value less cost of disposal of these assets or CGUs; and compare these to their carrying value. Impairment losses for property, plant and equipment are recognised in the income statement.

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

For goodwill and assets that have an indefinite useful economic life, the recoverable amount is estimated annually. Goodwill impairment losses are recognised in the income statement and are not subsequently reversed. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination.

(m) Share-based payment transactions

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

(n) Provisions

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

(o) Onerous property costs

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

Estimates have been made with respect to the amounts of future expenditures for site closure costs, which are reviewed semi-annually and are based on readily available information at the reporting date as well as management's historical experience of similar transactions.

(p) Deferred and current tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax laws that have been enacted or substantively enacted at the reporting date.

(q) Pensions

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

(r) Revenue

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

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

Where the Group acts as a franchisor in a trading relationship, licensing fees are recognised in cost of sales based on the turnover of the franchise site. Royalty revenue is accrued in line with reported sales performance once revenue can be reliably measured.

(s) Other income – rental income

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

(t) Expenses**Borrowing costs**

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

Commercial discounts

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

Exceptional items

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

The Group's income statement provides a reconciliation of the adjusted profitability measures, excluding exceptional items to the equivalent unadjusted IFRS measures. Exceptional items are then further detailed in Note 7.

(u) Associates

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

(v) Dividends

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

Notes to the consolidated accounts continued

52 weeks ended 1 January 2023

1 Accounting policies for the consolidated accounts continued

Critical accounting judgements and estimates

In applying the Group's accounting policies, as described above, the Directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised, and to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making these critical judgements and estimates, actual outcomes could be different. The most significant of these are below.

Estimates

Estimates and underlying assumptions are reviewed by management on an ongoing basis, with revisions recognised in the period in which the estimates are revised, and in any future period affected. The areas that may have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

i) Impairment of non-current assets

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

Given the uncertainties arising due to the current cost-of-living crisis impacting customer demand in the trading environment, the range of possible cashflow outcomes is wider than normal as disclosed in the sensitivity analysis. The future cash flows have been forecast taking into account using the "base case" and "stress case" scenarios as outlined in the Going Concern section of this note and in the Financial Review.

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

ii) Forecast business cashflows

For purposes of the going concern assessment and as an input into the impairment assessment, the Group make estimates of likely future cash flows which are based on assumptions given the uncertainties involved. The assumptions include the cost of labour and supplies and working capital movements. These assumptions are made by management based on recent performance, external forecasts and management's knowledge and expertise of the cashflow drivers.

iii) Provisions for onerous property costs

As disclosed in Note 17, the Group has made a provision for the contracted property-related costs of onerous sites. These include sites which are vacant; sublet for periods shorter than the related headlease term, or for below the headlease rental value; and loss-making sites. The Group measures these provisions using the expected value method.

The Group recognises a provision for the contractual length of time required to meet the obligations before landlords retake possession of these sites.

iv) Lease discount rate

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

Critical accounting judgements

The following critical judgement, that the Directors made in the process of applying the Group's accounting policies, has the most significant effect on the amounts recorded in the financial statements.

i) Lease term

IFRS 16 defines lease term as the non-cancellable period of a lease together with options to renew or break a lease, if the lessee is reasonably certain to exercise that option. The assessment of lease term is a significant judgement. Where leases include an option to extend or reduce the lease term, the group makes a lease-by-lease assessment as to whether it is reasonably certain that the option will be exercised. This assessment considers the length of the time before any renewal or break option is exercisable, plus current and forecast site trading.

ii) Indefinite useful life of trademarks

When trademarks are acquired, the Company is required to assess the useful economic life of that trademark. The Group has assessed that the Wagamama trademark has an indefinite useful economic life and does not amortise this asset.

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

iii) Segmental Analysis

Management has determined the operating segments based on the information provided to the Chief Operating Decision Maker. The Group concluded that it has four operating segments as defined by IFRS 8 (Wagamama, Pubs, Leisure and Concessions).

The Directors considered the expected near-term performance of the Leisure division during the cost-of-living crisis, and the longer-term projections considering the planned restructuring of the division during 2023 and 2024. The Directors concluded that the long-term economic characteristics of the Leisure division post-restructuring were similar to that of the other trading divisions within the Group, and therefore it was appropriate to aggregate the results.

It is the Directors' judgment that all of the segments meet the requirements for aggregation under IFRS 8.

Notes to the consolidated accounts continued

52 weeks ended 1 January 2023

2 Restatement of comparatives

Where the Group holds a lease for a site that is no longer trading, a closed site provision is recognised for the costs to be incurred until the expected exit date. The Group's policy is that this should be all unavoidable costs which includes utilities, service charges and insurance, and has also historically included business rates. As a result of the additional guidance issued in relation to IFRIC 21 "Levies" in 2022, the Group has reassessed its policy in this area and concluded that business rates are a statutory obligation rather than a contractual obligation. As such prior period comparatives have been restated to remove business rates from closed site provisions. The resulting restatements are disclosed below.

	As originally disclosed £m	Adjustment £m	As restated £m
Balance sheet at 27 December 2020			
Current provisions	(4.3)	3.0	(1.3)
Non-current provisions	(8.3)	8.3	–
Deferred tax liability	(39.7)	(2.2)	(41.9)
Retained earnings	(131.3)	9.1	(122.2)
	As originally disclosed £m	Adjustment £m	As restated £m
Balance sheet at 2 January 2022			
Current provisions	(6.0)	2.9	(3.1)
Non-current provisions	(9.3)	6.1	(3.2)
Deferred tax liability	(41.9)	(1.7)	(43.6)
Retained earnings	(169.7)	7.3	(162.4)
	As originally disclosed £m	Adjustment £m	As restated £m
Income statement for the 53 weeks ended 2 January 2022			
Exceptional cost of sales	(21.4)	(2.3)	(23.7)
Exceptional taxation	(9.8)	0.4	(9.4)

Reclassification of cost of sales and administrative expenses in the current year

In the year ended 1 January 2023, the Directors have adjusted the allocation of cost of sales and administration expenses to more appropriately reflect the nature of costs incurred. No adjustment has been made to the prior year figures. Had an adjustment been made costs of sales in the year ended 2 January 2022 would have been £4.0m greater and administration expenses reduced by an equivalent amount.

3 Segmental analysis

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

The Group has four operating segments of:

- Wagamama
- Pubs
- Leisure
- Concessions

It is the Directors' judgment that all of the segments meet the requirements for aggregation under IFRS 8. 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. The Directors considered the expected near-term performance of the Leisure division during the cost-of-living crisis, and the longer-term projections considering the planned restructuring of the division during 2023 and 2024. The Directors concluded that the long-term economic characteristics of the Leisure division post-restructuring were similar to that of the other trading divisions within the Group, and therefore it was appropriate to aggregate the results.

Geographical Segments

The Group trades primarily within the United Kingdom and generates revenue from the operation of restaurants, with substantially all revenue generated within the United Kingdom. The Group generates some revenue from franchise royalties primarily in Europe and the Middle East. The segmentation between geographical location does not meet the quantitative thresholds and so has not been disclosed.

4 Reconciliation to underlying profit

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

	2022 Trading IAS 17 £m	Adjustments for IFRS 16 £m	2022 Trading IFRS 16 £m	Exceptional items (Note 7) £m	2022 Total IFRS 16 £m	2021 Total ¹ IFRS 16 £m
Revenue	883.0	–	883.0	–	883.0	636.6
Cost of sales	(791.0)	28.2	(762.8)	(120.7)	(883.5)	(571.9)
Gross profit/(loss)	92.0	28.2	120.2	(120.7)	(0.5)	64.7
Share of result of associate	–	–	–	–	–	(0.3)
Administration costs	(47.5)	–	(47.5)	(1.7)	(49.2)	(52.6)
Operating profit/(loss)	44.5	28.2	72.7	(122.4)	(49.7)	11.8
Interest payable	(24.5)	(17.8)	(42.3)	(7.0)	(49.3)	(47.6)
Interest receivable	0.3	–	0.3	11.9	12.2	0.6
Profit/(loss) before tax	20.3	10.4	30.7	(117.5)	(86.8)	(35.2)
EBITDA	83.0	64.2	147.2	(8.5)	138.7	115.8
Depreciation, amortisation and impairment	(38.5)	(36.0)	(74.5)	(113.9)	(188.4)	(104.0)
Operating profit/(loss)	44.5	28.2	72.7	(122.4)	(49.7)	11.8

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

	2022 £m	2021 ¹ £m
Underlying Trading profit/(loss) before tax	20.3	16.6
Removal of rent expense	64.2	34.0
Net change in depreciation	(36.0)	(39.7)
Net change in net interest payable	(17.8)	(19.0)
Interest receivable on net investments in subleases	–	0.1
Trading loss before tax under IFRS 16	30.7	(8.0)

¹ Restated – refer to Note 2.

Notes to the consolidated accounts continued

52 weeks ended 1 January 2023

5 Profit for the year

	2022 £m	2021 £m
Profit for the year after exceptional items has been arrived at after charging/(crediting):		
Amortisation (Note 11)	2.4	2.3
Depreciation on right of use asset (Note 12)	36.4	39.9
Depreciation on property, plant and equipment (Note 13)	35.7	35.9
Loss on sale of property, plant and equipment	1.9	2.4
Net impairment of property, plant and equipment and software (Note 13)	46.0	12.6
Impairment of right of use asset (Note 12)	60.4	13.3
Impairment of goodwill (Note 11)	7.5	–
Impairment on net investments in subleases	–	0.1
Purchases of food, beverages and consumables	184.5	121.0
Inventory write downs	–	0.5
Staff costs (Note 6)	336.8	248.3
Covid-19 government grants	–	10.9
Variable rents	28.8	17.6
Rental income	(0.2)	(0.2)
Net rental costs	28.6	17.4
	2022 £m	2021 £m
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the Group's annual accounts	0.5	0.4
Fees payable to the Company's auditor for the audit of the Subsidiaries' annual accounts	0.1	0.1
Total audit fees	0.6	0.5
Audit-related assurance services	0.1	0.1
Other assurance services	–	0.6
Total non-audit fees	0.1	0.7
Total auditor's remuneration	0.7	1.2
Non audit: Audit Ratio	0.1	1.4

During the period, all auditor's remuneration was expensed as administration costs. In 2021, auditors non-audit remuneration of £0.6m was offset against the proceeds from issuance of shares, the remaining £0.6m was expensed as administration costs.

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

6 Staff costs

a) Average staff numbers during the year (including Directors)

	2022	2021
Restaurant staff	16,290	14,415
Administration staff	418	356
	16,708	14,771

b) Staff costs (including Directors) comprise¹

	2022 £m	2021 £m
Wages and salaries	305.1	220.5
Social security costs	24.2	17.9
Share-based payments	2.4	3.4
Pension costs and salary supplements	5.1	3.8
	336.8	245.6

c) Exceptional Staff Costs

	2022 £m	2021 £m
Severance pay	–	2.7

d) Directors' remuneration

	2022 £m	2021 £m
Emoluments	1.8	2.3
Salary supplements	0.1	0.1
	1.9	2.4
Charge in respect of share-based payments	0.4	0.9
	2.3	3.3

¹ This is a net amount after Coronavirus Job Retention Scheme payments of £Nil (2021: £43.2m).

Further details of the Directors' emoluments and the executive pension schemes are given in the Directors' remuneration report on pages 50 to 66.

Notes to the consolidated accounts continued

52 weeks ended 1 January 2023

7 Exceptional items

	2022 £m	2021 ¹ £m
Included within cost of sales:		
– Impairment charges relating to property, plant and equipment	46.0	10.1
– Impairment charges relating to right of use assets	60.4	9.5
– Impairment charges relating goodwill	7.5	–
– Estate restructuring	6.8	1.2
– Estate closure	–	0.6
– Remeasurement of closed sites provision (Note 2)	–	2.3
	120.7	23.7
Included within administration costs:		
– Professional fees	–	1.6
– Business transformation	1.7	–
	1.7	1.6
Included within interest payable :		
– Refinancing costs	7.0	1.9
– Gain made on derivative financial instruments	(11.9)	–
	(4.9)	1.9
Exceptional items before tax	117.5	27.2
Impact of tax change	(5.2)	12.2
Tax effect of exceptional items	(18.0)	(2.8)
Net exceptional items for the year	94.3	36.6

¹ Restated – refer to Note 2.

Impairment of assets

An impairment charge has been recorded against certain assets to reflect forecast results at our trading sites over the viability period.

This charge comprises the following adjustments:

- An impairment of right of use assets of £60.4m
- An impairment of property, plant and equipment of £46.0m
- An impairment of goodwill of £7.5m

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

Estate restructuring

The Group has assessed the sites it regards as having onerous obligations for closed and closing sites based on the current forecast projections and has increased the provision accordingly. This provision for onerous sites relates to service charges and dilapidations and relates to a specific programme of restructuring. Business rates and the costs to exit for onerous sites are treated as an exceptional item and expensed as incurred.

Refinancing Costs

In December 2022, the Group refinanced its debt facilities in an “extend and amend” deal with its existing lenders. The revised finance arrangements resulted in an exceptional loss on refinance of £5.5m. The exceptional charge relates to the write-off of an element of the deal fees associated with the original facility, which had been capitalised, the balance of the fees will be written off over the revised life of the borrowings. In addition, the Group incurred legal and advisory fees of £0.9m and incurred a prepayment penalty of £0.6m for the early payment of £20.9m of debt.

Gain made on derivative financial instruments at fair value through income statement.

The company has paid £3.1m for interest rate caps that now have a market value of £15.4m. Of this £12.3m gain, £0.4m was recognised within the trading results in 2021 with an exceptional gain of £11.9m in 2022 due to its materiality. The main reason for this gain is the increasing interest rates in the year, and future expectations of SONIA rates over the term of the interest rate caps.

Business Transformation

An exceptional charge of £1.7m has been incurred as a result of the ongoing transformation activity to deliver synergies across the group. This cost relates to the implementation of a common finance platform following the acquisition of Wagamama and includes software dual running costs and consultancy costs involved in the configuration and testing on the new system.

Tax rate change

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

8 Net Interest payable

	2022 £m	2021 £m
Bank interest payable	21.1	22.3
Unwinding of discount on lease liabilities	17.7	19.6
Amortisation of facility fees	3.5	3.3
Other interest payable	–	0.5
Trading interest payable	42.3	45.7
Exceptional refinancing cost (Note 7)	7.0	1.9
Total interest payable	49.3	47.6
Unwinding of discounts on investments in subleases	–	(0.1)
Other interest receivable	(0.3)	(0.5)
Trading interest receivable	(0.3)	(0.6)
Gain on derivative financial instrument	(11.9)	–
Total interest receivable	(12.2)	(0.6)
Total net finance charges	37.1	47.0

9 Tax

a) The tax charge comprises

	Trading 2022 £m	Exceptional 2022 £m	Total 2022 £m	Total 2021 ¹ £m
Current tax				
UK corporation tax	–	–	–	–
Adjustments in respect of previous years	–	–	–	2.4
	–	–	–	2.4
Deferred tax				
Current year	7.1	(18.0)	(10.9)	(4.5)
Adjustments in respect of previous years	(1.2)	–	(1.2)	(5.0)
Charge in respect of rate change on deferred tax liability	(1.0)	(5.2)	(6.2)	–
Charge in respect of fixed asset impairment	–	–	–	12.2
	4.9	(23.2)	(18.3)	2.7
Total tax (credit)/charge for the year	4.9	(23.2)	(18.3)	5.1

¹ Restated – refer to Note 2.

Notes to the consolidated accounts continued

52 weeks ended 1 January 2023

9 Tax continued

b) Factors affecting the tax charge for the year

The tax charged for the year varies from the standard UK corporation tax rate of 19% (2021: 19%) due to the following factors:

	Trading 2022 £m	Exceptional 2022 £m	Total 2022 £m	Total 2021 ¹ £m
Profit/(Loss) on ordinary activities before tax	30.7	(117.5)	(86.8)	(35.2)
Profit on ordinary activities before tax multiplied by the standard UK corporation tax rate of 19% (2021: 19%)	5.8	(22.3)	(16.5)	(6.7)
<i>Effects of:</i>				
Adjustment in respect of previous years	(1.2)	–	(1.2)	(2.2)
Expenses not deductible for tax purposes	0.1	0.9	1.0	1.5
Income not taxable for tax purposes	–	–	–	–
Effect of future taxes at higher rates	(1.0)	(5.2)	(6.2)	–
Charge in respect of rate change on deferred tax liability	–	–	–	12.2
Depreciation/impairment on non-qualifying assets	1.3	2.0	3.3	1.9
Impairment on goodwill	–	1.4	1.4	–
Movement on unrecognised deferred tax asset	–	–	–	(1.6)
Share options	1.0	–	1.0	–
Tax reliefs and incentives	(1.1)	–	(1.1)	–
Movement in capital loss	–	–	–	–
Total tax (credit)/charge for the year	4.9	(23.2)	(18.3)	5.1

¹ Restated – refer to Note 2.

The March 2021 Budget announced an increase in the UK corporate tax rate from 19% to 25%, from 1 April 2023. The rate was substantively enacted on 24 May 2021. Deferred tax assets and liabilities have been recognised at 25% to the extent they are expected to unwind after 1 April 2023. Any amounts expected to unwind prior to 1 April 2023 have been recognised at the current rate of 19%. The impact of the increase in the tax rate in 2022 was a £6.2m increase in the deferred tax liability. This is mainly related to the temporary differences on losses originated in 2022 at 19% tax rate which will be utilised later at higher tax rates.

10 Earnings per share

	2022	2021 ¹
Weighted average ordinary shares for the purposes of basic earnings per share	765,057,356	722,182,407
Effect of dilution – share options	2,434,551	–
Diluted weighted average number of shares	767,491,908	722,182,407
	2022 £m	2021 £m
Loss for the year after tax¹	(68.5)	(40.3)
Effect of exceptional items on earnings for the year ¹	94.3	36.6
Adjusted loss for the year after tax	25.8	(3.7)
	2022 pence	2021 pence
Basic loss per share for the year¹	(9.0)	(5.6)
Effect of exceptional items on earnings for the year per share ¹	12.3	5.1
Adjusted profit/(loss) per share	3.3	(0.5)
Diluted earnings per share on loss for the year¹	(9.0)	(5.6)
Diluted earnings per share on adjusted profit/(loss) for the year	3.4	(0.5)

¹ Restated – refer to Note 2.

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

The diluted earnings per share figures allow for the dilutive effect of the conversion into ordinary shares of the weighted average number of options outstanding during the year. Anti-dilutive shares that reduce the loss per share have been excluded from this calculation. There are 7,366,887 (2021: 267,076) share options excluded from the diluted earnings per share calculation because they would be anti-dilutive.

11 Intangible assets

	Goodwill £m	Trademarks and licences £m	Franchise agreements £m	Software and IT development £m	Total £m
Cost					
At 27 December 2020	342.6	236.0	21.9	5.3	605.8
Additions	–	–	–	2.7	2.7
Disposals	–	–	–	(0.2)	(0.2)
At 2 January 2022	342.6	236.0	21.9	7.8	608.3
Accumulated amortisation and impairment					
At 27 December 2020	–	–	2.9	3.4	6.3
Charged during the year	–	–	1.5	0.8	2.3
Disposals	–	–	–	(0.2)	(0.2)
At 2 January 2022	–	–	4.4	4.0	8.4
Cost					
At 2 January 2022	342.6	236.0	21.9	7.8	608.3
Additions	9.4	–	–	5.3	14.7
Disposals	–	–	–	(0.6)	(0.6)
At 1 January 2023	352.0	236.0	21.9	12.5	622.4
Accumulated amortisation and impairment					
At 2 January 2022	–	–	4.4	4.0	8.4
Charged during the year	–	–	1.5	0.9	2.4
Impairment	7.5	–	–	–	7.5
At 1 January 2023	7.5	–	5.9	4.9	18.3
Net book value as at 2 January 2022	342.6	236.0	17.5	3.8	599.9
Net book value as at 1 January 2023	344.5	236.0	16.0	7.6	604.1

The recoverable amount of the goodwill and trademark CGUs is £1,233.4m as at 1 January 2023 (£1,337.6m as at 2 January 2022). The recoverable amount has been based on value in use estimates using forecasts approved by the Board. The projected cash flows have been discounted using a rate based on the Group's pre-tax weighted average cost of capital of 10.8% (2021: 10.6%) that reflects the risk of these assets. Cash flows are extrapolated in perpetuity with an annual growth rate of 0-3% (2021: 2-3%).

Notes to the consolidated accounts continued

52 weeks ended 1 January 2023

11 Intangible assets continued

The carrying amount of goodwill and indefinite life intangible assets allocated to groups of CGUs is presented below along with the group of CGU's recoverable amounts.

	Trademarks & licences £m	Goodwill £m	Total intangibles £m	Recoverable amount £m
Wagamama	236.0	315.5	551.5	1,030.8
Brunning & Price	–	15.2	15.2	144.8
Blubeckers	–	4.2	4.2	31.4
Barburrito	–	9.4	9.4	24.8
Ribble Valley Inns	–	0.2	0.2	1.6
	236.0	344.5	580.5	1,233.4

The Group has conducted a sensitivity analysis taking into consideration the impact on key impairment test assumptions arising from a range of possible trading and economic scenarios as outlined in the stress case scenario at Note 1 as well as risk weightings applied to cash flows, discount rates used and terminal growth rates as outlined in Note 14.

The Company has assessed that the Wagamama trademark of £236.0m (2021: £236.0m) has an indefinite useful life, and therefore is not amortising this asset. If the trademark was amortised on a straight line basis over a period of 25 years, an additional £9.4m (2021: £9.4m) of amortisation would be recognised.

12 Right of use assets

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

	2022 £m	2021 £m
Right of use assets at beginning of year	289.4	368.9
Arising on business combination	8.5	–
Additions	11.0	18.4
Disposals	(0.5)	(4.6)
Depreciation	(36.4)	(39.9)
Remeasurements	26.0	(40.1)
Impairment (Note 14)	(60.4)	(13.3)
Right of use assets at reporting date	237.6	289.4

When indicators of impairment exist, right of use assets are assessed for impairment. As described in Note 14, all non-current assets were assessed at the end of 2022.

13 Property, plant and equipment

	Land and buildings £m	Fixtures and equipment £m	Total £m
Cost			
At 27 December 2020	570.4	237.7	808.1
Additions	19.3	16.4	35.7
Disposals	(41.0)	(82.3)	(123.3)
At 2 January 2022	548.7	171.8	720.5
Accumulated depreciation and impairment			
At 27 December 2020	329.4	178.4	507.8
Provided during the year	14.1	21.8	35.9
Impairment	13.0	11.1	24.1
Impairment reversals	(3.7)	(7.8)	(11.5)
Disposals	(39.5)	(81.4)	(120.9)
At 2 January 2022	313.3	122.1	435.4
Cost			
At 2 January 2022	548.7	171.8	720.5
Arising on business combination	–	0.3	0.3
Additions	19.2	37.5	56.7
Disposals	(2.2)	(2.1)	(4.3)
At 1 January 2023	565.7	207.5	773.2
Accumulated depreciation and impairment			
At 2 January 2022	313.3	122.1	435.4
Provided during the year	11.0	24.7	35.7
Impairment (Note 14)	13.0	37.0	50.0
Impairment reversals (Note 14)	(1.5)	(2.5)	(4.0)
Disposals	(1.0)	(0.6)	(1.6)
At 1 January 2023	334.8	180.7	515.5
Net book value as At 2 January 2022	235.4	49.7	285.1
Net book value as At 1 January 2023	230.9	26.8	257.7

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

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

	2022 £m	2021 £m
Net book value of land and buildings:		
Freehold	107.8	103.2
Long leasehold (leasehold improvements)	2.2	3.7
Short leasehold (leasehold improvements)	120.9	128.5
	230.9	235.4

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52 weeks ended 1 January 2023

14 Impairment reviews

Due to the significant inflationary pressures expected to continue into 2023 and the risk of a recession impacting consumer demand in the UK there is a 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 as at 3 July 2022 and, where this is higher than the value in use, we rely on freehold values in our impairment reviews. These valuations are not expected to have changed materially in the period and therefore have been used for the full year 2022 impairment calculation.

Discount rates used in the value in use calculations are estimated with reference to our Group weighted average cost of capital. For 2022, we have applied the pre tax discount rate of 10.8% to all assets (2021: 10.6%). The higher discount rate used in 2022, reflects the increasing interest rates in the UK. This is however partially offset by a change in the financing structure of the Group to have a greater proportion of lease liabilities which are discounted at a lower rate than debt and equity.

For the current period, value in use estimates have been prepared on the basis of the forecast described in Note 1, above, under the heading "Going concern basis". The most significant assumptions and estimates relate to revenue forecast on site-by-site cash flows. These use sale growth and terminal values ranging from 0%-3% across divisions. The impairment indicator giving rise to the charge for the year relates to the economic downturn arising from the current cost-of-living crisis, which has resulted in a reduced budgeted forecast for 2023, predominantly in the Leisure portfolio. The indicators for the impairment reversals relate to sites which are expected to deliver LFL sales growth in 2023, with Concessions in particular benefiting from strong growth versus 2022 as passenger numbers continue to improve.

Results of impairment review

Impairment has been recorded in a number of specific CGUs, as well as impairment reversals. A net impairment charge of £106.4m (2021: £25.9m) has been recognised, of which £46.0m (2021: £12.6m) was recorded against Property, Plant & Equipment ("PPE") and a further £60.4m (2021: £13.3m) against Right of Use Assets. This is a gross impairment charge of £116.2m (2021: £49.2m) offset by impairment reversals of £9.8m (2021: £23.3m).

A further charge of £7.5m (2021: £nil) was recorded as impairment to the Goodwill of Pubs acquired through Blubeckers Limited and Ribble Valley Inns Limited.

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 well as discount rates used.

The resulting sensitivities to fluctuations in the key assumptions have been summarised as follows:

Property, plant and equipment and right-of-use asset impairment

Sensitivity applied	Change applied	Decrease in net impairment	Increase in net impairment
Sales forecast	+/- 5%	£(12.8)m	£12.6m
Inflation forecast	+/- 2%	£(26.4)m	£13.1m
Discount rate	-/+ 1%	£(2.4)m	£2.6m
Terminal growth rate	+/- 1%	£(1.2)m	£1.0m
Freehold valuation	+/- 5%	£(0.4)m	£0.9m

Goodwill impairment

Sensitivity applied	Change applied	Decrease in net impairment	Increase in net impairment
Sales forecast	+/- 5%	£(0.9)m	£16.3m
Inflation forecast	+/- 2%	£(0.9)m	£16.5m
Discount rate	-/+ 1%	£(0.9)m	£11.4m
Terminal growth rate	+/- 1%	£(0.9)m	£9.1m
Freehold valuation	+/- 5%	£nil	£nil

15 Trade and other receivables

	2022 £m	2021 £m
Amounts falling due within one year:		
Net investment in subleases	0.6	0.5
Trade and other receivables	17.7	13.4
	18.3	13.9
Amounts falling due after one year:		
Net investment in subleases	5.5	2.3
Long term receivables	2.7	2.4
	8.2	4.7

The Group applies a simplified approach to expected credit losses, recognising a loss allowance based on historic losses and economic factors relating to specific customers. For more information relating to the expected credit loss on net investments in subleases, refer to Note 24.

The £2.7m (2021: £2.4m) in long term receivables relates to a \$3.3m USD loan arrangement the Group has with a US based restaurant business. The loan has an annual interest rate of LIBOR +10% and a maturity of April 2024.

16 Trade and other payables

	2022 £m	2021 £m
Amounts falling due within one year:		
Trade payables	32.8	21.7
Other tax and social security	31.9	12.9
Other payables	19.4	21.2
Accruals	76.6	72.5
	160.7	128.3

Contingent liabilities

The Group has assigned a number of leases to third parties that were originally completed prior to 1 January 1996 and are therefore unaffected by the Landlord and Tenant (Covenants) Act 1995 and also a number of leases completed after this date that were the subject of an Authorised Guarantee Agreement. Consequently, should the current tenant default, the landlord has a right of recourse to The Restaurant Group plc, or its subsidiaries, for future rental payments. As and when any liability arises, the Group will take whatever steps necessary to mitigate the costs. The Group has assessed the risk of this happening as remote.

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52 weeks ended 1 January 2023

17 Provisions

	2022 £m	2021 ¹ £m
Property cost provisions	7.0	3.9
Other provisions	0.6	2.4
Balance at the end of the year	7.6	6.3
Analysed as:		
Amount due for settlement within one year	2.3	3.1
Amount due for settlement after one year	5.3	3.2
	7.6	6.3

	Property cost provisions £m	Other provisions £m	Total £m
At 2 January 2022¹	3.9	2.4	6.3
Remeasurement	1.5	–	1.5
Transferred from other provision	3.2	(1.8)	1.4
Amounts utilised	(1.7)	–	(1.7)
Unwinding of discount	0.1	–	0.1
At 1 January 2023	7.0	0.6	7.6

¹ Restated – refer to Note 2.

Property cost provisions

A provision is made for property-related costs for the period that a sublet or assignment of the lease is not expected to be possible. The amount and timing of the cash outflows are subject to uncertainty. The average period over which the provision is expected to be utilised is 3.9 years. An increase of one year in the expected period over which a sublet or assignment is not expected to be possible would result in an increase in the provision of £0.8m, whilst a decrease would result in a reduction on the provision of £0.8m amount.

Onerous contract and other property provisions are discounted using a discount rate of 1.0% (2021: 1.0%) based on an approximation for the time value of money.

Other provisions

Other provisions includes a best estimate of the liability in respect of a legal obligation to meet certain lease payments of a restaurant, the liability for which is considered probable, most likely within a year.

18 Lease liabilities

The Group is both a lessee and lessor of property.

(a) Group as lessee

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

	2022 £m	2021 £m
At 2 January 2022	410.4	483.8
Arising on business combination	8.5	–
Additions	11.0	18.4
Unwinding of discount on lease liabilities	17.7	19.6
Cash payments made	(59.8)	(48.7)
Liabilities extinguished in disposals	(5.7)	(9.5)
Remeasurements	13.9	(53.2)
At 1 January 2023	396.0	410.4
Analysed as:		
Amount due for settlement within one year	55.0	73.1
Amount due for settlement after one year	341.0	337.3
	396.0	410.4

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

The total value of expense relating to low value leases in 2022 and 2021 was immaterial.

In addition to the unwinding of discount on lease liabilities noted in the above table and depreciation on right of use assets, the Group is exposed to leases where future cash outflows are not reflected in the lease liabilities because the agreements are based on variable lease payments in the form of turnover rent.

The costs incurred by the Group in respect of short leases was immaterial in both the current period and the prior period.

As at 1 January 2023, the Group was not committed to any leases with future cash outflows which had not yet commenced.

Sensitivity to changes in assumptions

Termination Options

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

The Group has estimated that the potential future lease payments, should it exercise the termination options, would result in a decrease in cash outflows of £144.9m.

Discount Rate

Lease liabilities under IFRS 16 are initially recorded at the present value of future lease payments discounted using the Group's incremental borrowing rate, which we estimate with reference to our debt facilities and observed bond yields, calculated on a lease by lease basis. Lease liabilities are subsequently unwound using the same discount rate and included in finance expense in the Group income statement. Increasing the discount rate by 1% would lead to an increased interest expense of £0.3m, while decreasing by 1% would lead to a decrease of £0.3m.

Notes to the consolidated accounts continued

52 weeks ended 1 January 2023

18 Lease liabilities continued

(b) Group as lessor

All income relates to fixed rental receipts. Movements in the net investment in lease assets included income of £0.6m and an expected credit loss reversal of £0.1m. There was no income from leases classified as operating leases.

Finance leases

Undiscounted lease receipts relating to finance leases for future years are set out in the table below. The total in the table for Finance Leases is greater than the balance sheet amount due to the effects of discounting and provisions for expected credit losses. There is no undiscounted unguaranteed residual value within the amounts recognised.

	2022 £m	2021 £m
Amounts receivable in the next year	1.2	1.1
Amounts receivable in 1-2 years	1.1	0.9
Amounts receivable in 2-3 years	1.0	0.9
Amounts receivable in 3-4 years	0.9	0.9
Amounts receivable in 4-5 years	0.9	0.8
Amounts receivable after 5 years from the balance sheet date	7.5	6.5
Total	12.6	11.1

Operating leases

	2022 £m	2021 £m
Amounts receivable in the next year	0.1	0.4
Amounts receivable in 1-2 years	0.1	0.4
Amounts receivable in 2-3 years	–	0.3
Amounts receivable in 3-4 years	–	0.3
Amounts receivable in 4-5 years	–	0.3
Amounts receivable after 5 years from the balance sheet date	0.2	3.9
Total	0.4	5.6

19 Deferred taxation

	Capital allowances £m	Intangible assets £m	Share options £m	Losses ¹ £m	Corporate interest restriction £m	Other temporary differences – trading £m	Deferred gains £m	2022 Total £m	2021 Total £m
As at 2 January 2022 (as previously reported)	(0.2)	63.4	(1.5)	(14.7)	(2.4)	(5.6)	2.9	41.9	(41.9)
Restatement (see Note 2)	–	–	–	1.7	–	–	–	1.7	(2.2)
As at 2 January 2022 (as restated)	(0.2)	63.4	(1.5)	(13.0)	(2.4)	(5.6)	2.9	43.6	(44.1)
Movement in deferred tax balances (net of exceptional credit)	(5.2)	1.1	0.6	(12.3)	(0.7)	(0.6)	–	(17.1)	7.7
Adjustments in respect of previous years	1.0	0.6	–	(2.0)	(0.8)	–	–	(1.2)	(5.0)
Deferred tax taken directly to the income statement (Note 9)	(4.2)	1.7	0.6	(14.3)	(1.5)	(0.6)	–	(18.3)	2.7
Tax on share-based payments	–	–	0.5	–	–	–	–	0.5	(0.5)
Deferred tax taken through equity	–	–	0.5	–	–	–	–	0.5	(0.5)
As at 1 January 2023	(4.4)	65.1	(0.4)	(27.3)	(3.9)	(6.2)	2.9	25.8	(41.9)
								2022 £m	2021 £m
Deferred tax liability consists of:									
Capital allowances in advance of depreciation								(4.4)	(0.2)
Intangible assets								65.1	63.4
Share options								(0.4)	(1.5)
Tax losses								(27.3)	(14.7)
Other temporary differences								(7.2)	(5.1)
								25.8	41.9

20 Share capital and reserves

	Number	£m
Authorised, issued and fully paid		
At 2 January 2022	765,046,600	215.2
Shares issued in the year	15,798	–
At 1 January 2023	765,062,398	215.2

The shares have a par value of 28.125p each (2021: 28.125p).

The Group has no Treasury shares.

Share premium

The share premium account is used to record the aggregate amount or value of premiums paid when the Company's shares are issued/redeemed at a premium. On 8 December 2022, under a special resolution confirmed by an Order of the Count of Sessions, Scotland, the Company's share premium balance was cancelled. The balance was subsequently transferred to retained earnings.

Other reserves

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

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21 Share-based payment schemes

The Group operates a number of share-based payment schemes, details of which are provided in the Directors' remuneration report.

A charge has been recorded in the income statement of the Group in respect of share-based payments of £2.4m (2021: £3.4m).

The other reserves account in the balance sheet reflects the credit to equity made in respect of the charge for share-based payments made through the income statement and the purchase of shares in the market by the EBT in order to satisfy the vesting of existing and future share awards under the Long-Term Incentive Plan (LTIP) and Restricted Share Plan (RSP).

Restricted Share Plan

The Group has issued a Restricted Share Plan to certain employees and directors as described in the Directors' remuneration report. Instruments granted under this plan represent deferred shares, of which certain are subject to performance conditions. No exercise price is payable on these instruments.

Year ended 1 January 2023

Period during which options are exercisable	Type of award	Fair value	Outstanding at the beginning of the year	Granted	Exercised	Lapsed	Outstanding at the end of the year	Exercisable at the end of the year
2023	Restricted Share Plan	54.0p	6,643,375	–	–	(912,402)	5,730,973	–
2024	Restricted Share Plan	127.0p	2,174,660	–	–	(173,350)	2,001,310	–
2025	Restricted Share Plan	66.0p	–	3,563,223	–	(99,632)	3,463,591	–

Year ended 2 January 2022

Period during which options are exercisable	Type of award	Fair value	Outstanding at the beginning of the year	Granted	Exercised	Lapsed	Outstanding at the end of the year	Exercisable at the end of the year
2023	Restricted Share Plan	54.0p	6,569,564	6,643,375	–	(6,569,564)	6,643,375	–
2024	Restricted Share Plan	127.0p	–	2,174,660	–	–	2,174,660	–

Owing to the terms of the instruments, their fair value is estimated to match the market value of shares at the date of grant.

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

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

Save As You Earn

Under the Save As You Earn (SAYE) scheme, the Board may grant options over shares in The Restaurant Group plc to UK-based employees of the Group. Options are granted with a fixed exercise price equal to 80% of the average market price of the shares for the five days prior to invitation. Employees pay a fixed amount from their salary into a savings account each month for the three year savings period. At the end of the savings period, employees have six months in which to exercise their options using the funds saved. If employees decide not to exercise their options, they may withdraw their funds saved and the options expire. Exercise of options is subject to continued employment within the Group. In exceptional circumstances, employees may be permitted to exercise these options before the end of the three year savings period. Options were valued using the Black Scholes pricing model.

Year ended 1 January 2023

Period during which options are exercisable	Exercise price	Outstanding at the beginning of the year	Granted	Forfeited	Exercised	Lapsed	Outstanding at the end of the year	Exercisable at the end of the year
2021 - 2022	239.5p	42,298	–	–	–	(33,977)	8,321	8,321
2022 - 2023	112.7p	240,469	–	(516)	–	(69,589)	170,364	159,714
2023 - 2024	52.0p	5,683,825	–	(187,542)	(15,798)	(3,336,675)	2,143,810	–
2024 - 2025	88.0p	1,505,077	–	(12,107)	–	(954,592)	538,378	–
2025 - 2026	30.0p	–	12,064,015	–	–	–	12,064,015	–
Total number		7,471,669	12,064,015	(200,165)	(15,798)	(4,394,833)	14,924,888	168,035
Weighted average exercise price		62.3p	30.0 p	54.3p	52.0p	62.2p	36.3p	119.0p

The weighted average remaining contractual life for the shares outstanding at the end of the period is 2.58 years (2021: 2.08 years).

Year ended 2 January 2022

Period during which options are exercisable	Exercise price	Outstanding at the beginning of the year	Granted	Forfeited	Exercised	Lapsed	Outstanding at the end of the year	Exercisable at the end of the year
2020 – 2021	243.8p	85,395	–	0	–	(85,395)	–	–
2021 – 2022	239.5p	114,428	–	(60,482)	–	(11,648)	42,298	–
2022 – 2023	112.7p	462,991	–	(186,869)	(4,036)	(31,617)	240,469	–
2023 – 2024	52.0p	6,461,939	–	(743,006)	(5,851)	(29,257)	5,683,825	–
2024 – 2025	88.0p	–	1,550,073	(44,996)	–	–	1,505,077	–
Total number		7,124,753	1,550,073	(1,035,353)	(9,887)	(157,917)	7,471,669	–
Weighted average exercise price		61.3p	88.0p	75.5p	76.8p	181.7p	62.3p	–

Assumptions used in valuation of share-based payments granted in the year ended 1 January 2023

Scheme	2022 RSP	2022 SAYE	2021 RSP	2021 SAYE
Grant date	21/04/2022	24/10/2022	01/04/2021	01/12/2021
Share price at grant date	66.0p	37.5p	127.0p	85.8p
Exercise price	N/A	30.0p	N/A	88.0p
No. of options originally granted	3,563,223	12,064,015	2,174,660	1,550,073
Minimum vesting period	3 years	3 years	3 years	3 years
Expected volatility ¹	N/A	57.6%	N/A	81.5%
Contractual life	3 years	3 years	3 years	3 years
Risk free rate	N/A	3.11%	N/A	0.57%
Expected dividend yield	N/A	0.00%	N/A	1.25%
Expected forfeitures	16.9%	38.6%	12.0%	9.0%
Fair value per option	66.0p	0.17p	127.0p	45.0p

¹ Expected volatility is the measure of the amount by which the share price is expected to fluctuate during a period. In order to calculate volatility, the movement in share price over a period prior to the grant date has been calculated. For the discount for the SAYE scheme, the calculated volatility based on the movement in share price over a period of 3.25 years prior to the grant has been used.

Employee Benefit Trust

An employee benefit trust (EBT) was established in 2007 in order to satisfy the exercise or vesting of existing and future share awards under the Long-Term Incentive Plan. The EBT purchases shares in the market, using funds provided by the Company, based on expectations of future requirements. Dividends are waived by the EBT. At 1 January 2023, the Trustees, Estera Trust (Jersey) Limited, held 572,565 shares in the Company (2021: 572,565 shares).

22 Reconciliation of profit before tax to cash generated from operations

	2022 £m	2021 ¹ £m
Loss on ordinary activities before tax	(86.8)	(35.2)
Net interest payable	42.0	45.1
Exceptional items (Note 7)	117.5	27.2
Share of results of associate	–	0.3
Share-based payments	2.4	3.4
Depreciation and amortisation	74.5	78.1
(Increase)/decrease in inventory	(0.5)	(0.9)
Decrease in receivables	(6.3)	5.1
Increase/(decrease) in creditors	7.7	5.0
Cash generated from operations	150.5	128.1

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22 Reconciliation of profit before tax to cash generated from operations continued

	2022 £m	2021 £m
Reconciliation of net cash from operating activities to free cash flow		
Net cash flows from operating activities	118.9	91.6
Payment on exceptionals	8.6	7.4
Payment of obligations under leases	(59.8)	(48.7)
Refurbishment and maintenance expenditure	(36.6)	(19.0)
Payment against provisions	8.3	13.4
Free cash flow	39.4	44.7

1 Restated – refer to Note 2.

23 Financial instruments and derivatives

Financial assets

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

	2022 £m	2021 £m
Cash and cash equivalents	27.7	146.5
Other receivables	26.5	18.6
Financial assets at amortised cost	54.2	165.1
Derivative financial instrument	15.4	2.1
Financial assets at fair value through profit and loss	15.4	2.1
Total financial assets	69.6	167.2

Cash and cash equivalents are comprised of cash at bank and cash floats held on site. The cash and cash equivalents balance includes £11.6m (2021: £5.4m) of credit card receipts that were cleared post year end.

Cash and cash equivalents also include £0.4m (2021: £0.9m) held on account in respect of deposits paid by tenants under the terms of their rental agreement.

During the current and prior period, the Group entered into derivatives in the form of interest rate caps which are measured at fair value through the profit and loss. The interest rate caps have an effective date of November 2022 to November 2026 – covering a value of £125.0m to November 2025 and £100.0m to November 2026. The strike price of the interest rate cap is 0.75%. Net gains or losses associated to the movement in the fair value of the interest rate cap do not include any interest paid relating to the interest rate cap.

Financial liabilities

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

	2022 £m	2021 £m
Trade and other payables	160.7	128.3
Lease liabilities	55.0	73.1
Short-term financial liabilities	215.7	201.4
Long-term borrowings – at floating interest rates ¹	220.0	330.0
Bank fees	(6.6)	(11.9)
Lease liabilities	341.0	337.3
Long-term financial liabilities	554.4	655.4
Total financial liabilities	770.1	856.8

¹ At 1 January 2023, total financial liabilities attracting interest were £220.0m (2021: £330.0m). Interest is payable at floating interest rates which fluctuate and are dependent on SONIA and the Group's net debt to EBITDA leverage. The average rate of interest charged during the year on the Group's debt was 7.29% (2021: 5.70%).

On 2022 results, net interest was covered 2.2 times (2021: 2.5 times) by earnings before interest, tax, depreciation and exceptional items. Based on year-end debt and earnings for 2022, a 1% rise in interest rates would reduce interest cover to 2.1 times (2021: 2.3 times).

At 1 January 2023, the interest rate on the Term Loan is 6.5% above SONIA. A commitment fee of 0.9% is charged on the undrawn Revolving Credit Facility. The maturity dates on the Group's debt facilities are as follows: April 2028 for the Term Loan; and March 2027 for the Revolving Credit Facility.

Capital risk management

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

The Group is subject to externally imposed capital requirements in respect of the Term Loan and Revolving Credit Facility. The Group is required to maintain a net debt to EBITDA ratio below set covenant levels and a minimum liquidity requirement of £40.0m.

Secured liabilities and assets pledged as security

The Group has pledged certain assets in order to fulfil the collateral requirements of the Term Loan and Revolving Credit Facility.

The Term Loan and Revolving Credit Facility are secured by a fixed charge over the shares and intellectual property of TRG (Holdings) Limited, The Restaurant Group (UK) Limited, Blubeckers Limited, Brunning and Price Limited, TRG Concessions Limited, and Wagamama Limited, as well as a floating charge on all present and future assets, property, business, undertaking and uncalled capital.

The maturity profile of anticipated gross future cash flows, including interest, relating to the Group's non-derivative financial liabilities, on an undiscounted basis, are set out below:

	Trade and other payables excluding tax £m	Floating rate loan £m	Lease liability debt £m	Total £m
At 1 January 2023				
Within one year	160.7	27.7	57.4	245.8
Within one to two years	–	46.4	53.3	99.7
Within two to three years	–	42.5	48.2	90.7
Within three to four years	–	21.1	42.3	63.4
Within four to five years	–	19.4	37.7	57.1
After five years	–	184.8	223.5	408.3
	160.7	341.9	462.4	965.0

	Trade and other payables excluding tax £m	Floating rate loan £m	Lease liability debt £m	Total £m
At 2 January 2022				
Within one year	128.3	24.6	74.6	227.5
Within one to two years	–	24.6	58.4	83.0
Within two to three years	–	24.6	53.4	78.0
Within three to four years	–	23.7	47.8	71.5
Within four to five years	–	353.1	40.2	393.3
After five years	–	–	262.7	262.7
	128.3	450.6	537.1	1,116.0

Fair value of financial assets and liabilities

Financial assets at fair value

There were no transfers between Levels 1, 2 and 3 fair value measurements during the current or prior period.

The interest rates caps are valued using Level 2 measurement. The Group has no other financial assets or liabilities that require measurement using Level 2 or Level 3 measurement techniques as defined by IFRS 13.

Notes to the consolidated accounts continued

52 weeks ended 1 January 2023

23 Financial instruments and derivatives continued

Long-term borrowings

	At 1 January 2023			At 2 January 2022		
	Drawn £m	Available facility £m	Total facility £m	Drawn £m	Available facility £m	Total facility £m
Term loan	220.0	–	220.0	330.0	–	330.0
Revolving credit facilities	–	111.5	111.5	–	111.6	120.0
Total banking facilities	220.0	111.5	331.5	330.0	111.6	450.0
Unamortised loan fees	(6.6)			(11.9)		
Long-term borrowings	213.4			318.1		
Cash and cash equivalents	(27.7)	27.7		(146.5)	146.5	
Pre-lease liability net debt	185.7			171.6		
Lease liabilities	396.0			410.4		
Net debt	581.7			582.0		
Cash headroom		139.2			258.1	

At 1 January 2023, the Group has covenants over both the term loan and the revolving credit facilities (RCF). Both facilities require a minimum liquidity level of £40m which is measured as the total of cash and undrawn facilities. On the term loan, the covenant requires total net debt to be no more than 5.0x EBITDA, gradually reducing to 4.0x by March 2025 until the end of the facility. On the RCF, the Group is required to maintain total net debt to EBITDA below 5.25x from March 2023, gradually reducing to 4.25x by March 2025 until the end of the facility. In addition, the ratio of RCF debt to EBITDA can be no more than 1.5x, when the RCF is drawn.

The available revolving credit facilities are reduced from the total facility by £8.5m (2021: £8.4m) of letters of credit issued to external suppliers.

Net Debt

	Cash and cash equivalents £m	Bank loans falling due after one year £m	Lease liabilities £m	Total £m
Balance as at 27 December 2020	40.7	(381.1)	(483.8)	(824.2)
Net drawdown of borrowings	(53.6)	53.6	–	–
Upfront loan facility fee paid	(14.6)	14.6	–	–
Repayment of obligations under leases	(48.7)	–	48.7	–
Non-cash movements in the year	–	(5.2)	24.7	19.5
Net cash outflow	222.7	–	–	222.7
Balance as at 2 January 2022	146.5	(318.1)	(410.4)	(582.0)
Net repayments of borrowings	(110.0)	110.0	–	–
Upfront loan facility fee paid	(1.4)	1.4	–	–
Repayment of obligations under leases	(59.8)	–	59.8	–
Non-cash movements in the year	–	(6.7)	(45.4)	(52.1)
Net cash inflow	52.4	–	–	52.4
Balance as at 1 January 2023	27.7	(213.4)	(396.0)	(581.7)

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

24 Financial risk management

The Group finances its operations through equity and borrowings.

Management pay rigorous attention to treasury management requirements and continue to:

- Ensure sufficient committed loan facilities are in place to support anticipated business requirements
- Ensure the Group's debt service will be supported by anticipated cash flows and that covenants will be complied with
- Manage interest rate exposure with a combination of floating rate debt and interest rate swaps when deemed appropriate

The Board closely monitors the Group's treasury strategy and the management of treasury risk.

Further details on the business risk factors that are considered to affect the Group are included in the Senior Management Risk Committee Report and more specific financial risk management (including sensitivity to increases in interest rates) are included in the Directors' Report.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial losses to the Group. Counterparties for cash balances are large established financial institutions. The Group is exposed to credit related losses in the event of non-performance by the financial institutions but does not expect them to fail to meet their obligations.

As a retail business with trading receipts settled either by cash or credit and debit cards, there is very limited exposure from customer transactions. The Group is exposed to credit risk in respect of commercial discounts receivable. The Directors make regular assessments of the recoverability of commercial discount receivables based on their knowledge of the customer, historic payments and relevant macroeconomic factors. An appropriate provision will be made if it is considered the amounts will not be recovered, either partially or in full. This is consistent with the previous period. Receivables that are neither past due nor impaired are expected to be fully recoverable.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represent the Group's maximum exposure to credit.

Subleases

The credit risk in relation to net investment in subleases is subject to the Groups policy and procedures relating to credit risk. As at 1 January 2023, the Group has 19 subleases with a rent receivable balance of £0.5 million.

£0.7m of sublease receivables were written off during the reporting period.

The impairment analysis is performed at each reporting date. The credit quality of each tenant is assessed individually to estimate the probability of default for the expected credit loss calculation. The assessment is based on forward looking information of each tenant such as individual financial performance as well as wider economic conditions and monitoring the days past due with respect to outstanding rent. The exposure at default is considered to be the carrying value of the outstanding rent for the remainder of the sublease agreement.

Notes to the consolidated accounts continued

52 weeks ended 1 January 2023

24 Financial risk management continued

Franchisees

The credit risk in relation to franchisee debtors is subject to the Group's policy and procedures relating to credit risk. As at 1 January 2023, the Group has 33 franchisee debtors in relation to Wagamama, with a receivable balance of £0.6 million. The impairment analysis is performed at each reporting date for franchisees also. The Expected Credit Loss ("ECL") relating to franchisees as at 1 January 2023 was £0.6m.

	Stage 1 £m		Stage 2 £m		Stage 3 £m		Total £m	
	Gross carrying amount	Expected credit loss	Gross carrying amount	Expected credit loss	Gross carrying amount	Expected credit loss	Gross carrying amount	Expected credit loss
As at 2 January 2022	3.2	0.5	2.3	1.7	4.1	4.0	9.6	6.2
Transfers to stage 1	1.8	(0.1)	–	0.1	(1.8)	–	–	–
Transfers to stage 2	(2.1)	–	3.7	(1.0)	(1.6)	1.0	–	–
Transfers to stage 3	–	1.8	(1.0)	1.6	1.0	(3.5)	–	(0.1)
Receipts	(0.2)	–	(0.3)	–	(0.1)	–	(0.6)	–
Additions	1.0	–	1.7	–	2.2	–	4.9	–
Recoveries	–	–	(0.1)	–	(0.2)	–	(0.3)	–
Charge for the year	–	(1.8)	–	0.8	–	1.0	–	–
Write offs	(0.7)	–	–	–	–	–	(0.7)	–
As at 1 January 2023	3.0	0.4	6.3	3.2	3.6	2.5	12.9	6.1

(b) Liquidity risk

The Group has built an appropriate mechanism to manage liquidity risk of the short, medium and long-term funding and liquidity management requirements. Liquidity risk is managed through the maintenance of adequate cash reserves and bank facility by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group's Term Loan matures in April 2028 (as set out above) and the Revolving Credit Facility matures in March 2027.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations and has been controlled historically through the use of fixed and floating rate debt.

In the prior and current years, to manage the risk of interest rate changes on borrowings, the Group entered into interest rate caps. The interest rate caps have an effective date of November 2022 to November 2026, for a value of £125.0m to November 2025 and £100.0m to November 2026. The strike price of the interest rate cap is 0.75% and a total premium of £3.1m was paid.

As a result, a 1% rise or fall in interest rate will have a £2.7m impact on interest expense (as set out above). Based on EBITDA after exceptionals for 2022, the Group has enough coverage for interest rate risk.

Foreign Currency Movement

During the year, the Group suffered a £0.4m foreign currency loss (2021: £0.1m gain) on translation of foreign subsidiaries.

25 Related party transactions

There were no related party transactions in the 52 weeks ended 1 January 2023 other than those relating to key management personnel.

Remuneration in respect of key management personnel, defined as the Directors for this purpose, is disclosed in Note 6. Further information concerning the Directors' remuneration is provided in the Directors' remuneration report.

26 Subsequent Events

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

27 Business Combinations

In 12 July 2022 the Group acquired the entire share capital of the Barburrito Group Limited ("Barburrito"), a non-listed company operating sixteen Mexican style fast-casual sites across the United Kingdom. This adds to the Group's estate in high-footfall locations across a range of restaurant formats.

Assets acquired and liabilities assumed:

	Fair value recognised on acquisition £000
Assets	
Property, plant and equipment	0.3
Right-of-use assets	8.5
Inventories	0.1
Prepayments and accrued income	0.3
Cash	3.9
	13.1
Liabilities	
Trade and other payables	(3.8)
Lease liabilities	(8.5)
	(12.3)
Total identifiable net assets at fair value	0.8
Goodwill arising upon acquisition	9.4
Purchase price agreed	10.2
Less cash acquired as part of transaction	(3.9)
Purchase consideration transferred net of expenses	6.3

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities. No adjustment was necessary to reflect terms out of line with market lease terms.

The goodwill of £9.4m comprises the value of expected synergies arising from the acquisition and the assembled workforce, which are not separately recognised. None of the goodwill recognised is expected to be deductible for income tax purposes.

Expenses incurred as part of the acquisition of £0.2m were recognised within administrative expenses.

From the date of acquisition, Barburrito contributed £8.9m of revenue and a loss before taxation of £0.2m from continuing operations of the Group. If the combination had taken place at the beginning of the year, Group revenue from continuing operations would have been £891.8m and the loss before tax from continuing operations for the Group would have been £85.8m.

Company balance sheet

	Note	At 1 January 2023 £m	At 2 January 2022 £m
Non-current assets			
Investments in subsidiary undertakings	3	125.6	123.2
Loans to subsidiary undertakings	4	739.8	751.7
Derivatives measured at fair value through profit & loss	5	15.4	2.1
Right of use assets	6	–	–
		880.8	877.0
Current assets			
Receivables			
Cash and cash equivalents		11.3	122.0
		11.3	122.0
Total assets			
		892.1	999.0
Current liabilities			
Lease liability	6	(0.3)	(0.3)
Amounts falling due within one year to Group undertakings		(0.4)	(0.9)
Accruals		(6.0)	(3.7)
		(6.7)	(4.9)
Net current assets			
		4.6	117.1
Total assets less current liabilities			
		885.4	994.1
Long-term borrowings	5	(213.4)	(318.1)
Lease liability	6	(1.1)	(1.2)
Net assets			
		670.9	674.8
Capital and reserves			
Called up share capital		215.2	215.2
Share premium account		–	394.1
Other reserves		2.5	0.1
Profit and loss account		453.2	65.4
Shareholders' funds			
		670.9	674.8

The Company's loss for the year was £6.3m (2021: profit of £28.4m).

The financial statements of The Restaurant Group plc (company registration number SC030343) on pages 118 to 124 were approved by the Board of Directors and authorised for issue on 7 March 2023 and were signed on its behalf by:

Andy Hornby
CEO

Kirk Davis
CFO

Statement of Changes in Equity

	Share capital £m	Share premium £m	Other reserves £m	Profit and loss account £m	Total £m
Balance at 27 December 2020	165.9	276.6	(3.3)	41.9	481.1
Issue of shares	49.3	117.5	–	–	166.8
Employee share-based payment schemes	–	–	3.4	–	3.4
Total comprehensive income	–	–	–	23.5	23.5
Balance at 2 January 2022	215.2	394.1	0.1	65.4	674.8
Balance at 2 January 2022	215.2	394.1	0.1	65.4	674.8
Cancellation of share premium	–	(394.1)	–	394.1	–
Employee share-based payment schemes	–	–	2.4	–	2.4
Total comprehensive loss	–	–	–	(6.3)	(6.3)
Balance at 1 January 2023	215.2	–	2.5	453.2	670.9

Other reserves represent the Company's share-based payment transactions and the shares held by the Employee Benefit Trust.

On 8 December 2022, under a special resolution confirmed by an Order of the Count of Sessions, Scotland, the Company's share premium balance was cancelled. The balance was subsequently transferred to retained earnings.

Notes to the Company accounts

1 Accounting policies and basis of preparation

Basis of preparation

The Company accounts have been prepared under the historical cost convention and in accordance with UK Accounting Standards. These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. As permitted under FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, business combinations, financial instruments, fair values, presentation of a cash flow statement and certain related party transactions.

Where required, equivalent disclosures are given in the consolidated financial statements.

The financial statements are presented in sterling, rounded to the nearest thousand.

Going concern basis

The financial statements have been prepared on a going concern basis. For further details of the basis of this going concern assessment, please refer to Note 1 of the consolidated financial statements.

Investments

Investments are valued at cost less any provision for impairment.

Inter-Group receivables

Intra-Group receivables are recognised initially at fair value, and subsequently at amortised cost using the effective interest rate method, less an allowance for any uncollectable amounts. The Company assesses for doubtful debts (impairment) using the expected credit losses model as required by IFRS 9. For intra-Group receivables, the Company applies the simplified approach which requires expected lifetime losses to be recognised from the initial recognition of the receivables.

Derivatives

The Company enters into derivative transactions to manage its exposure to interest rate risks. Derivatives are recognised initially at fair value on the date the contract is entered into and subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately. A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

Financial liabilities – Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. This is also applicable to fees for amendments to the loan facilities. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Share-based payment transactions

The Group operates a share option programme which allows employees of the Group to acquire shares in the Company. The fair value of options granted is recognised as an employee expense in the company in which the employees are employed with a corresponding increase in capital contribution. The Company recognises an increase in the investment held by the Company in the subsidiary in which the employees are employed.

The fair value of the options is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The Black-Scholes valuation model is used to measure the fair value of the options granted, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to market based conditions not achieving the threshold for vesting. Refer to Note 20 in the consolidated financial statements for further details.

Leases

i) Right of use assets

Right of use assets are initially measured at the value of the corresponding lease liability and subsequently adjusted for depreciation and for any remeasurement of the lease liability. Right of use assets are assessed for impairment where required by IAS 36.

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term.

ii) Lease liabilities

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

Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable and variable payments.

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

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

Impairment

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

For intangible assets including investments, the testing is performed at the level of the relevant group of CGUs that benefit from the intangible asset or investment. An impairment loss is recognised whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. This requires the Company to determine the lowest level of assets which generate largely independent cash flows and to determine their recoverable amount, based on estimating the value-in-use or the fair value less cost of disposal of these assets or CGUs; and compare these to their carrying value. Impairment losses are recognised in the income statement.

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

For assets that have an indefinite useful life, the recoverable amount is estimated annually. Impairment losses are recognised in the income statement and are not subsequently reversed.

Onerous property costs

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

Estimates have been made with respect to the amounts of future expenditures for site closure costs, which are reviewed semi-annually and are based on readily available information at the reporting date as well as management's historical experience of similar transactions.

Notes to the Company accounts continued

1 Accounting policies and basis of preparation continued

Critical accounting judgements and estimates

i) Impairment of non-current assets

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

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

ii) Forecast business cash flows

For purposes of the going concern assessment and as an input into the impairment assessment, the Company make estimates of likely future cash flows which are based on assumptions given the uncertainties involved. The assumptions include the cost of labour and supplies and working capital movements. These assumptions are made by management based on recent performance, external forecasts and management's knowledge and expertise of the cashflow drivers.

2 Profit attributable to members of the Company

As permitted by section 408 of the Companies Act 2006, a separate profit and loss account has not been presented for the Company.

Remuneration of the auditor is borne by a subsidiary undertaking (refer to Note 4 in the consolidated financial statements).

During the year, the Company made a gain of £11.9m relating to derivatives held at fair value through the profit and loss (refer to Note 23 in the consolidated financial statements).

All costs of employees and Directors are borne by a subsidiary undertaking. At 1 January 2023 the Company employed six persons, being the directors (2 January 2021: six persons). Refer to the Directors remuneration report for further details of remuneration paid for services.

3 Investment in subsidiary undertakings

	Shares £m	Share Based Payment £m	Total £m
Cost and net book value			
At 2 January 2022	91.8	31.4	123.2
Share-based payment schemes	–	2.4	2.4
At 1 January 2023	91.8	33.8	125.6

The Company's subsidiaries are listed below:

	Country of Incorporation	Status	Proportion of voting rights and shares held at 1 January 2023
Wagamama			
Wagamama (Holdings) Limited (formerly Mabel Bidco Limited)	England and Wales	Holding	100%
Wagamama Limited	England and Wales	Trading	100%
Wagamama International (Franchising) Limited	England and Wales	Trading	100%
Wagamama CPU Limited	England and Wales	Trading	100%
Ramen USA Limited	England and Wales	Holding	100%
Wagamama USA Holdings Inc	USA	Holding	100%
Wagamama Inc	USA	Trading	100%
Wagamama NY 1011 3rd LLC	USA	Holding	100%
Wagamama NY 53 3rd LLC	USA	Holding	100%
Pubs			
Brunning and Price Limited	England and Wales	Trading	100%
Blubeckers Limited	England and Wales	Trading	100%
Ribble Valley Inns Limited	England and Wales	Trading	100%
Leisure			
TRG (Holdings) Limited	England and Wales	Holding	100%
The Restaurant Group (UK) Limited	England and Wales	Trading	100%
TRG Leisure Limited	England and Wales	Trading	100%
Barburrito Limited	England and Wales	Trading	100%
Concessions			
TRG Concessions Limited	England and Wales	Trading	100%
Dormant			
Mabel Topco Limited	England and Wales	Dormant	100%
Mabel Midco Limited	England and Wales	Dormant	100%
Mabel Mezzco Limited	England and Wales	Dormant	100%
Wagamama Group Limited	England and Wales	Dormant	100%
D.P.P. Restaurants Limited	England and Wales	Dormant	100%
Wagamama Finance Ltd	England and Wales	In Liquidation	100%
J.R. Restaurants Limited	England and Wales	In Liquidation	100%
G.R. Limited	England and Wales	In Liquidation	100%

The Company's operating subsidiaries are registered in England, Wales and the USA, and operate restaurants in the United Kingdom and the USA. TRG (Holdings) Limited is directly owned, all other investments are indirectly owned.

Notes to the Company accounts continued

4 Loans to subsidiary undertakings

On 22 November 2022, the Company was assigned £128.0m of receivable benefit from Mable Midco Limited in return for the extinguishment of its loan due from TRG (Holdings) Limited for the same amount. Following the assignment, the Company holds a receivable from TRG (Holdings) Limited of £597.3m. Interest is payable at a rate of 8% plus SONIA per annum with interest accruing quarterly on to the balance outstanding.

During the year, an expected credit loss provision of £34.3m in relation to the debtor due from subsidiary undertaking, TRK (UK) Limited was recognised following the Directors' review of the expected credit losses associated with the balance. Additionally, an expected credit loss provision of £4.1m was recognised in relation to the remaining amounts due from subsidiary undertakings.

5 Long term Borrowings

Total Company borrowing facilities consist of a £120m Revolving Credit Facility ("RCF") expiring in March 2027, and a £220m Term Loan which matures in April 2028. The RCF has £111.5m of committed borrowing facilities in excess of gross borrowings (2021: £111.6m) and is committed until March 2027.

At 1 January 2023, the interest rate on the Term Loan is 6.5% above SONIA. A margin ratchet linked to the leverage ratio is in place which ranges from 6.5% to 7.25% for the Term Loan, and 2.5% to 4% for the RCF. A commitment fee of 0.9% applies for undrawn amounts of the RCF. The maturity dates on the Group's debt facilities are as follows: April 2028 for the Term Loan; and March 2027 for the RCF.

In the prior and current year, in order to manage the risk of interest rate changes on borrowings, the Group entered into interest rate caps. The caps have effective dates of 17 November 2022 to 17 November 2026, for a value of £125.0m to November 2025 and £100.0 to November 2026. The strike price of the interest rate cap is 0.8% and a total premium of £3.1m was paid. The interest rate cap is measured at fair value through the profit and loss.

6 The Company as a lessee

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

	Right of use asset		Lease liability	
	2022 £m	2021 £m	2022 £m	2021 £m
Brought forward	-	-	(1.5)	(3.0)
Additions	-	-	-	-
Unwinding of discount on lease liabilities	-	-	(0.1)	(0.1)
Cash payments made	-	-	0.4	0.4
Extinguished in disposals	-	-	-	1.2
Remeasurements	-	-	(0.2)	-
Depreciation	-	-	-	-
Impairment	-	-	-	-
Carried forward	-	-	(1.4)	(1.5)
Analysed as:				
Amount due for settlement within one year			(0.3)	(0.3)
Amount due for settlement after one year			(1.1)	(1.2)
			(1.4)	(1.5)

The total value of expense relating to short term leases in 2022 totalled £nil (2021: £nil).

Group financial record

	2022 £m	2021 Restated £m	2020 Restated £m	2019 £m	2018 Restated £m
Revenue	883.0	636.6	459.8	1,073.1	686.0
Adjusted operating profit	72.7	37.1	(49.7)	91.1	55.4
Underlying interest	(42.0)	(45.1)	(37.8)	(16.6)	(2.2)
Adjusted (loss)/profit before tax	30.7	(8.0)	(87.5)	74.5	53.2
Non-trading (charges)/credits	(117.5)	(27.2)	(45.4)	(111.8)	(39.3)
(Loss)/Profit on ordinary activities before tax	(86.8)	(35.2)	(132.9)	(37.3)	13.9
Tax	18.3	(5.1)	8.7	(3.1)	(7.0)
(Loss)/Profit for the year	(68.5)	(40.3)	(124.2)	(40.4)	6.9
Basic earnings per share	(9.0p)	(5.6p)	(22.1p)	(8.2p)	2.4p
Adjusted earnings per share	3.3p	(0.7p)	(13.4p)	11.9p	14.7p
Proposed total ordinary dividend per share for the year	–	–	–	2.1p	8.3p
Special dividend per share	–	–	–	–	–
Dividend cover (excluding non-trading items and special dividends)	N/A	N/A	N/A	5.7p	1.8p
Employment of finance					
Property, plant and equipment	257.7	285.1	300.3	335.7	430.6
Other non-current assets	604.1	599.9	599.5	618.0	620.9
Net current liabilities	(157.5)	(32.0)	(141.7)	(112.0)	(97.6)
Long-term liabilities	(585.5)	(702.2)	(822.7)	(439.9)	(495.3)
	118.8	150.8	(64.6)	401.8	458.6
Financed by:					
Equity	380.0	447.0	307.3	401.9	458.6
Net debt	(581.7)	(582.0)	(824.2)	(286.6)	(291.1)
Gearing	153.1%	130.2%	268.2%	71.3%	63.5%

Glossary

Measure	Description
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	Operating profit prior to the impact of Exceptional items.
Adjusted operating margin	Calculated as the Operating profit as a percentage of Revenue. For the "Adjusted" basis this is using the profit and revenue prior to Exceptional items
Adjusted profit before tax	Calculated by taking the profit before tax of the business pre-Exceptional items.
Adjusted tax charge	Calculated by taking the tax of the business pre-Exceptional items.
Effective adjusted tax rate	Calculated as the tax expense as a percentage of profit before tax. For the "Adjusted" basis this is using the tax and profit prior to Exceptional items.
Cash headroom	Calculated as the funds available to the business through either its Cash & cash equivalents balance or through undrawn facilities, less letters of credit.
Capital expenditure	This is calculated as the total of Development capital expenditure and Refurbishment and maintenance expenditure and is the cash outflow associated with the acquisition of Property, plant and equipment, intangibles and investments in the US joint venture.
Development capital expenditure	This is the Capital expenditure relating to profit-generating projects upon which we expect a commercial return in future years.
EBITDA	Earnings before interest, tax, depreciation, amortisation and impairment.
Exceptional items	Those items that are material, and not related to the underlying trade of the business.
Free cash flow	Adjusted EBITDA (IAS17 basis) less working capital and non-cash adjustments (excluding exceptional items), tax payments, interest payments and Refurbishment and maintenance expenditure.
Like-for-like sales	This measure provides an indicator of the underlying performance of our existing restaurants. There is no accounting standard or consistent definition of "like-for-like sales" across the industry. Group like-for-like sales are calculated by comparing the performance of all mature (traded for at least 65 weeks) sites in the current period versus the comparable period in the prior year. Sites that are closed, disposed or disrupted during a financial year are excluded from the like-for-like sales calculation.
Minimum liquidity	The minimum liquidity is a financial covenant required under the terms of our loans to have a minimum of both available undrawn facilities plus Cash and cash equivalents of at least £40 million.
Net debt	Net debt is calculated as the net of all borrowings less cash and cash equivalents, plus the IFRS 16 Lease liabilities.
Pre-lease liability net debt	As above Net Debt but excluding the IFRS 16 Lease liabilities.
Refurbishment and maintenance expenditure	This is the Capital expenditure relating to projects to maintain and refurbish our estate. No incremental financial return is expected on this expenditure.
Return on Invested Capital (ROIC)	Outlet EBITDA (pre-IFRS 16 and exceptional charges)/initial capital invested.
Trading business	Represents the performance of the business before exceptional items.
TSR	Total Shareholder Return over a period. Total shareholder return (TSR) is calculated as the overall appreciation in the share price, plus any dividends paid, during a period of time; this is then divided by the initial purchase price of the stock to arrive at the TSR.

Shareholder information

Directors

Ken Hanna
Non-Executive Chairman

Andy Hornby
Chief Executive Officer

Kirk Davis
Chief Financial Officer

Graham Clemett
Senior Independent Director

Alex Gersh
Independent Non-Executive Director

Zoe Morgan
Independent Non-Executive Director

Loraine Woodhouse
Independent Non-Executive Director

Company Secretary

Andrew Eames

Head office
(and address for all correspondence)

5-7 Marshalsea Road
London SE1 1EP

Telephone number

020 3117 5001

Company number

SC030343

Registered office

1 George Square
Glasgow G2 1AL

Registrar

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

Auditor

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

Solicitors

Slaughter and May
One Bunhill Row
London EC1Y 8YY

Brokers

Investec Bank plc
30 Gresham Street
London EC2V 7QP

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

Annual General Meeting

Tuesday 23 May 2023

Notes



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The Restaurant Group plc

5-7 Marshalsea Road

London SE1 1EP

Tel: 020 3117 5001

www.trgplc.com