

The Restaurant Group plc

Preliminary results for the year ended 27 December 2009

The Restaurant Group plc operates 367 restaurants and pub restaurants. Its principal trading brands are Frankie & Benny's, Chiquito, Garfunkel's, a Pub restaurant business as well as over 50 sites in its Concessions division which trades principally on major UK airports.

- **The Group had a resilient 2009:**

- Revenue up 5% to £436m
- Adjusted EBITDA increased by 3% to £80m
- Adjusted profit before tax increased by 2% to £50m
- Adjusted EPS rose 5% to 17.5p per share
- Second interim dividend of 6.3p per share declared and proposed final dividend of 0.3p per share giving a full year dividend of 8.0p per share, up 4%

- Statutory profit before tax increased by 2.5% to £48m
- Statutory EPS rose 15% to 18.90p

**Results marked as adjusted are stated excluding non-trading items (refer to note 2)*

- Operations strongly cash generative and net debt reduced by £12.2m to £66.7m
- Roll out continues
 - 19 new sites opened in the period
 - 15-25 new sites targeted for 2010
- Resilient current trading given the economic climate, with like-for-like sales returning to growth at +1% for the nine weeks to 28 February 2010

Andrew Page, Chief Executive, said:

"This is another good set of results from The Restaurant Group. TRG has demonstrated its resilience, delivering growth in earnings, cashflow and dividends. We have further re-enforced our strong market positions and added 19 new restaurants to our portfolio. The current year has started well – after nine weeks, revenues are 6% ahead of last year and like-for-like sales are up 1%. Our attention is now firmly focused on the period ahead and the team is determined to ensure that 2010 is another successful year."

3 March 2010

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Chairman's statement

I am pleased to report that The Restaurant Group plc ("TRG" or "the Group") has delivered another excellent set of results, despite the manifest weakness in the UK economy. The Group has again grown revenues, profits and earnings per share. As anticipated, the difficult economic backdrop presented a very challenging marketplace for companies operating within our sector but, despite those challenges, our distinct market positioning, strong brands and focus on our customers have enabled TRG to continue its profitable development. Building on a solid first half performance the Group has continued to grow revenues and returned to positive like-for-like sales growth towards the end of 2009. It is encouraging that this positive trend has continued with like-for-like sales for the first nine weeks of the current year 1% ahead of last year. During 2009, we served 35 million meals (including approaching five million children's meals), opened 19 new restaurants and created approximately 500 new full and part-time jobs.

During 2009 the Group's revenues grew 4.6% to £436m (2008: £417m), adjusted profit before tax grew 2% to £50.0m (2008: £48.9m) and adjusted earnings per share increased by 5% to 17.48p (2008: 16.67p). This increase in adjusted earnings per share marks the achievement of greater than 100% growth over the five year period to 2009, representing a compound annual growth rate of 17.4%, a significant achievement that demonstrates the on-going positive performance of the Group.

Accordingly, the Board is recommending an increased dividend for 2009 to be paid as follows: a second interim dividend of 6.3p per share to be paid on 30 March 2010 to shareholders on the register on 12 March 2010 and shares will be marked ex-dividend on 10 March 2010. This second interim dividend is equivalent to the final dividend of 6.3p per share paid in respect of the 2008 financial year. Additionally, and subject to shareholder approval at the Annual General Meeting, the Board is recommending the payment of a final dividend of 0.3p per share. This will be paid on 7 July 2010 to shareholders on the register on 11 June 2010 and the shares will be marked ex-dividend on 9 June 2010. This means that the total dividend in respect of 2009 will be 8.0p (2008: 7.7p), an increase of 4%.

We have continued to focus on our two divisions, Leisure and Concessions, and this has enabled the Group to produce a resilient performance despite the severe challenges arising from the poor domestic and global economic backdrop.

Our Leisure division, which incorporates Frankie & Benny's, Chiquito, Garfunkel's and Pub restaurants performed solidly delivering a 7.5% growth in revenues and a modest improvement in profit. During the year we opened 14 new restaurants in the Leisure division; these are trading ahead of expectations and all are set to deliver strong returns. During 2010 we plan to open between 13 and 21 new restaurants in the Leisure Division.

Against a very difficult backdrop our Concessions division performed commendably and this highlights the resilient characteristics of this business. Significant declines in passenger numbers at UK airports resulted in our Concessions division experiencing a 6% decline in revenues and a 4% decline in EBITDA. I am pleased to report that, more recently, passenger numbers at UK airports have begun to stabilise and this is encouraging. During 2009 we opened five new airport sites – four at Aberdeen airport and one at Manchester airport. In addition, we redeveloped a site at Heathrow Terminal 4 which is now trading as the "Bridge Bar". These new sites are trading very well and are expected to deliver strong returns. We plan to open two to four new airport sites during 2010.

Overall, this is another excellent set of results - the Group continued to grow its estate with quality openings, increase earnings and dividends, generate high levels of cash and significantly reduce net debt. This strong performance was the result of the hard work, expertise and

dedication of our Directors, senior management and staff. On behalf of the Board I would like to record our thanks to all of them.

John Jackson, one of our non-executive Directors, has decided not to stand for re-election at the forthcoming AGM. John has been with the Company for 13 years and I would like to thank him, on behalf of the Board, for his important contribution during that time and we wish John well for the future. Recruitment of a new non-executive Director is progressing very well and a further announcement will be made in due course.

We have started the current year well with like-for-like sales growth for the first nine weeks of the year 1% ahead of 2009 levels and this is encouraging. Last year was, without a doubt, an exceptionally difficult one for our sector and it is clear that TRG demonstrated its resilience. This not only enabled the Group to continue to grow earnings and cashflows, but also to strengthen its market position further and this means that we are well placed to continue our progress in 2010 and beyond.

Alan Jackson

Chairman

3 March 2010

Chief Executive Officer's review of operations

Introduction

A global slump, the deepest since the Second World War, a credit crunch which threatened to bring down the international financial system and, closer to home, six consecutive quarters of declining GDP have not provided an attractive backdrop for consumer-facing businesses.

At the start of the 2009 it was apparent that the UK faced an unpalatable cocktail of economic contraction, rising unemployment and a paucity of consumer and corporate credit. We expected our sector to face new and sustained pressures which would test the robustness of business models. This led us to be cautious about the short-term outlook but, at the same time, to be confident that TRG's robust business model, distinct market positioning, prudent capital structure, operational discipline (including eschewing deep discounting) and clear focus would enable it to capitalise on the opportunities which might arise whilst also adapting to the more difficult trading conditions which would prevail. We did not expect TRG to be immune to the effects of the UK recession, rather we expected our business to demonstrate resilience.

And so, in spite of the difficulties caused by the recession, I am pleased to report that TRG enjoyed another year of good progress. Both of our divisions performed admirably with our Leisure division delivering modest profit growth and our Concessions division successfully managing an extremely challenging airport marketplace to deliver a very commendable level of full year profit. Overall, the Group's performance was good with both margins and sales holding up well. Despite a 2% contraction in like-for-like sales, total sales grew by 4.6%, adjusted pre-tax profits increased by 2% and adjusted earnings per share were 5% higher than the previous year. Against a challenging backdrop, this represents a very satisfactory result.

The TRG business model and rationale

Our core objective continues to be growth in shareholder value and our strategy to achieve this is to build a business capable of delivering long-term, sustainable and growing cashflows. 2009 was a year in which business models were severely tested and I am pleased to report that, once again, we have successfully converted our growing profits into cash at a very healthy rate. TRG's business model enables the Group to grow in a predominately organic and highly value-accretive way, funded from internally generated funds. Our touchstones are cashflow and return on investment. This model has enabled our shareholders to enjoy the benefits of high returns on capital, growth in profits and cashflow and sizeable income distributions from our progressive dividend policy.

TRG's primary focus is on edge of town, out of town, rural, semi-rural and airport locations. These locations have significant barriers to entry, offer good growth prospects and enable the Group to generate consistently high returns on investment. We occupy leading market positions in each of these segments and are well placed to continue to grow our business.

Capex and TRG opening programme

Our philosophy regarding capital expenditure remains consistent – we focus on cash generation and on securing a return on invested capital at rates ahead of TRG's weighted average cost of capital. We will continue to apply the same high levels of analytical rigour, commercial analysis, experience and risk adjustment to each capital project that we undertake. This approach has served TRG well and we do not intend to deviate from it.

In the light of lower levels of development activity over the past eighteen months, TRG has opened fewer new restaurants than it normally would and this level of new development activity is likely to continue during 2010. However, we are confident that, in due course, many of the

projects which have been postponed or delayed will come to fruition and those projects should therefore contribute to our forward pipeline. At present, it is still not clear when this might be although there are tentative signs of new activity in some quarters of the commercial property market and this is encouraging. During this period of lower levels of new development activity, we will not look to substitute unduly risky and/or less attractive projects for those which have been delayed or postponed. Rather, we will retain our cash until such time as the original projects reappear or other equally attractive opportunities become available. In the meantime, our surplus cashflow will be applied towards reducing debt, as it was during 2009 with a resultant £12m reduction in Group net debt.

Results*

**Results marked as adjusted are stated excluding non-trading items (refer to note 2)*

TRG's trading metrics performed well during 2009:

- Total sales increased by 5% (like-for-like sales were 2% lower) and we sold 35 million meals;
- Adjusted EBITDA increased by 3% to £80m;
- Adjusted pre-tax profit increased by 2% to £50m;
- Margins held up well with the Group operating profit margin just 0.8% lower and the Group pre-tax profit margin 0.2% below last year; and
- Net debt, at 0.8x Group adjusted EBITDA, fell by £12m to £67m.

Leisure

*Total revenue: £353.6m (2008: £329.0m) Operating profit: £69.1m (2008: £69.0m)
Operating margin: 19.5% (2008: 21.0%)*

Frankie & Benny's (188 units)

Frankie & Benny's performed well during 2009. Turnover, EBITDA and profit all increased and margins held up strongly. Last year we opened 10 new restaurants of which three were on non-cinema sites. These are all trading superbly and are set to deliver strong returns. During the year we focused our efforts towards our customers with very close attention to the variety of offering, price point, hospitality and service standards. As with all of our brands, we eschewed deep discounting and this helped to produce a very satisfactory profit performance. We anticipate opening between seven and eleven new Frankie & Benny's restaurants during 2010.

Chiquito (63 units)

Chiquito produced a solid performance during 2009, although profits were a little below the level of the prior year. Profit margins were adversely impacted by two factors: firstly, the introduction of a new lunchtime menu which was priced at a very competitive level and also as a result of food input cost increases which we did not pass on to customers.

During the year we opened three new restaurants - the performance of these restaurants has been superb and we expect all of them to deliver very strong returns. We expect to open two to five new Chiquito restaurants during 2010.

Pub restaurants (42 units)

Overall, our Pub restaurant business had a good year. Those Pub restaurants located in the North West of England traded very well, without exception. Trading in the South East was more variable, with some very good performers and others where results were less buoyant.

As noted in our interim report we have embarked on a programme of aligning the majority of the Pub restaurants towards a less formal (Bunning & Price) style of operation. This programme commenced in the summer of 2009 and will continue this year. The results of these changes have been very encouraging with significant improvements in trading being secured. By the end of 2010 we will have substantially concluded this programme and we are also looking forward to adding some additional Pub restaurants during the year. Currently, we expect to open between two and three new Pub restaurants in 2010 and, as we have previously indicated, we believe that further opportunities to accelerate the growth of our Pub restaurant business will arise in the future. In the meantime, we will look to steadily add to our Pub restaurant estate.

Garfunkel's (22 units)

Garfunkel's performed superbly during 2009 finishing with a very strong final quarter. Most of our Garfunkel's restaurants trade from prominent locations in Central London and they enjoyed a strong and sustained trade throughout the year and I am pleased to report that this trend continues.

Revenues and margins grew strongly and this resulted in a double digit growth in EBITDA and profit. During the second half we opened a new Garfunkel's restaurant on Tottenham Court Road. It is trading strongly and is set to deliver excellent returns. During 2010 we expect to open two new Garfunkel's restaurants.

Concessions (52 units)

Total revenue: £82.2m (2008: £87.3m) Operating profit: £11.0m (2008: £12.7m)
Operating margin: 13.4% (2008: 14.6%)

Our Concessions division, which operates at eight of the UK's principal airports, faced very tough trading conditions throughout 2009. Passenger numbers ("pax") in UK airports fell by 7.5% over the course of 2009 with some of the larger airports suffering falls of up to 12%. The decline in pax started towards the end of 2008 and, as I indicated in last year's review, we expected 2009 to be a tough year for our Concessions division. In anticipation of these tougher conditions we took steps to limit the adverse impact of lower levels of trade primarily by rigorous control of our operations and cost base. These steps, combined with the turnover-based rental model under which our airport business operates, meant that we were able to manage the downturn in trade successfully. As a result, I am pleased to report that our Concessions division produced a creditable level of EBITDA of £15.9m (2008: £16.6m) and a profit of £11.0m (2008: £12.7m). Although these are below the prior year level, they demonstrate both the resilient nature of our Concessions business and also the benefits of rigorous operational and cost controls.

During the year we opened five new airport sites, four at Aberdeen airport and one at Manchester airport. In addition, we redeveloped a site at Heathrow Terminal 4, which is now trading as the "Bridge Bar" These new sites are trading very well and are expected to deliver strong returns. We plan to open two to four new airport sites during 2010.

Whilst we do not anticipate a rapid increase in pax during 2010, we are encouraged by the recent positive trend. Additionally, we believe that a secular shift away from full-service travel towards low cost travel has been hastened during these more straitened times and this bodes well for TRG. In the medium and longer-term we are confident that our market-leading position

and expertise in this segment means that we are well placed to capitalise on the growth that will, in due course, resume.

Market dynamics and the economy

Eating out has become an increasingly popular pastime for large parts of the UK population in recent years with growth trending at levels ahead of changes in GDP and we remain confident that the prospects for our market are positive. Socio-economic factors, such as an ageing population, more females in work and levels of disposable income significantly higher than in previous generations augur well for our industry. Eating out, particularly at our popular price points (£10-£16 spend per head), is a relatively “small ticket” item for most people and for many it has become a habitual part of their lives and something that they are reluctant to give up.

Nevertheless, eating out represents, to a significant degree, discretionary spend and as such can be flexed according to consumers' disposable income and confidence. It would therefore be naïve to assume that our business is impervious to the recessionary forces and poor economic backdrop. Over the past eighteen months, the reaction of many companies within our sector has been to discount selling prices. In many cases these discounting programmes have been deep both in terms of the level and duration. “Buy one get one free” promotions have become commonplace and continue to be used frequently. However, TRG has taken a different approach; eschewing deep discounting, our focus has been directed very much towards our customers, concentrating on value, range of choice across price points, service and standards.

To date, TRG has demonstrated a level of resilience and popularity with diners that has enabled it to continue to grow revenues and profits and, at the same time, deliver high margins – we are determined to continue this. There are a number of factors that have enabled TRG to withstand the economic downturn. These include our distinct market positioning in segments with lower supply-side risk, our price points (and avoiding the deep discounting that has pervaded large parts of the market), offerings which have wide appeal to most socio-economic groups and a commitment to delivering great hospitality and service to our customers.

The UK's macro-economic landscape has taken on some new and unusual features over the past twelve months. Faced with the threat of a recession becoming a depression (and all of the concomitant long-term deflationary damage that would be implied) our authorities, along with those of all of the leading economies, embarked upon unprecedented levels of monetary and fiscal stimulation. This included a Keynesian style uplift in public sector spending which has contributed to an increase in the level of national debt and involved running a budget deficit above 12% of UK GDP; this represents a post-war high. Additionally, an exceptionally loose monetary policy was pursued and this was further augmented through a £200bn quantitative easing programme. This resulted in interest rates remaining low and a bank rate of just 0.5%; the lowest since records began in 1694. Whilst these unprecedented measures appear to have averted a depression, positive impacts in terms of employment, consumption and growth have, so far, been fairly limited.

There are two key macro-economic variables which significantly impact our business - interest rates and unemployment. Over the past year, unemployment has risen together with its equally corrosive bedfellow, the fear of unemployment. Combined, these two blights can have a dramatic effect on confidence, consumption and household spending and this effect has manifested itself clearly over the past fifteen months. For whilst those households where the breadwinners have remained in work have enjoyed an increase in disposable income, as a result of low interest rates and lower inflation, this has not translated into significant increases in consumer spend. Rather, households have used this excess income to pay down debt or to build up savings and this has been reflected in a sizeable increase in the savings ratio. This pattern of behaviour is similar to that which took place following the economic downturn in the early 1990s.

An end to rising unemployment and a renewed confidence in job prospects within the UK will, we believe, represent a significant point of upturn for consumer-facing businesses. For many of our customers, unemployment and short-time working (or the fear of these) acts as a disincentive to spend. If, however, people feel that their jobs are secure they are more likely to spend, including on eating out, even if interest rates are higher.

So what are the implications for consumer-facing businesses? In the short-term much will depend upon the timing and impact of the exit from the monetary and fiscal stimuli and in turn this is likely to be impacted by the outcome of the general election. At some point interest rates are likely to rise and it is noteworthy that recent statistics indicate that inflation remains above target. More fundamentally perhaps is how the fiscal malaise is treated. A budget deficit at the current levels is not sustainable and the corrective forces which will be brought to bear to rectify this are not very palatable. A resumption of economic growth will certainly play its part in closing the gap and, although current forecasts indicate below trend growth in 2010, this is forecast to return towards trend in 2011. In the short term, this means two things are likely – higher taxes (probably both direct and indirect) and lower levels of government spend. Whilst neither of these are attractive for the consumer, if the timing and nature of these exit actions are such that the private sector takes up some of the spare capacity created, and unemployment does not materially increase, it is likely that the result will be a further period of tough but, for those businesses with sound business models and robust finances, manageable conditions. It is against this backdrop that we have framed our plans for the year ahead.

Future prospects

At the end of 2008 and in early 2009, we were on the verge of a severe economic depression and there was virtually no forward visibility. Now, however, we have a clearer picture of the issues that have to be faced and, to a degree, a quantification of those issues. The UK economy has moved away from a period of fear of a depression towards one of austerity, and we will have to continue to carefully manage our way through this. I am confident that we will successfully do so.

Beyond the short-term, the challenging economic backdrop is likely to have a cathartic effect on the supply side of our sector. The reasons for this are two-fold: firstly, some operators will withdraw or significantly downscale their plans and secondly, it is likely, for some time, to deter new entrants. Combined, these factors should act as a brake on restaurant supply and the positive impact of this is likely to be felt for some time.

Looking forward, our company is well placed to benefit from economic growth, when it resumes. We have a robust business model, distinct market positions, a strong balance sheet and we are well positioned to continue our expansion. These factors, combined with the efforts of all of our people enabled the Group to produce good results last year despite an extremely challenging marketplace and in 2010 we will continue to:

- Stick to our areas of expertise;
- Focus on our customers by providing excellent value and service;
- Maintain high standards of operational efficiency and execution;
- Carefully control our costs;
- Add high quality new restaurants to our portfolio; and
- Continue our focus on cashflow and returns.

By so doing, our aim is to continue to strengthen our market positions and deliver long-term and sustainable profitable growth. We have an outstanding team of people at TRG of whom a great deal was asked in 2009. Yet again, they responded magnificently and I am grateful to all of them. I am confident that they will put in every effort to ensure that we deliver another good performance this year.

Andrew Page
Chief Executive Officer
3 March 2010

Group Finance Director's report

Results

Against a difficult macro economic backdrop the Group has recorded another very satisfactory set of financial results. Total Group revenues increased by 4.6% to £435.7m. Although underlying like-for-like sales were down 2% for the year, this was more than offset by the full year impact of openings in 2008 and a part year effect of the 19 new sites opened in 2009.

Group adjusted EBITDA was £79.6m, an increase of 2.8% on the prior year. After adding back the non-cash share-based payment charge of £2.1m (2008: £1.9m), total EBITDA in the year was £81.7m (2008: £79.4m). After depreciation charges in the year totalling £26.3m (2008: £23.3m), Group adjusted operating profit for the year was £53.4m (2008: £54.2m). This represents a slightly reduced operating margin of 12.2% (2008: 13.0%). However, this outcome was considerably better than anticipated earlier in the year, and has resulted from a diligent focus on costs and efficiencies across the business throughout the year.

Adjusted net interest costs in the year were £3.3m, a 37% reduction compared to 2008. This reflects lower average debt during the year and lower interest rates on the unhedged portion of the Group's debt. Total adjusted Group profit before tax was £50.0m, a 2.3% increase on the prior year. After taking into account a lower average tax rate (as discussed later in this report), adjusted post tax profits of £34.5m were up 5% on the prior year resulting in an adjusted EPS of 17.48p, a 5% increase.

Non-trading and non-core items

The full year results include a net credit of £2.8m in respect of non-trading items. The principal components of this are:

- A £1.2m charge arising on the revaluation of the Group's various interest rate swap arrangement.
- A net £0.5m loss on several minor property disposals.
- A £4.5m taxation credit. This largely arises on the satisfactory outcome of negotiations with HMRC on the 2005 tax computation in connection with the tax treatment of the Caffè Uno disposal profits realised in that year.

During the year non-core losses increased to £1.3m (2008: £0.9m) and we will continue to take steps to minimise these non-core losses.

Capital expenditure

During the year the Group invested a total of £31.5m in capital additions (2008: £46.7m). This consisted of development expenditure totalling £20.1m (2008: £35.9m), including the acquisition of four pub freeholds for £3.6m. We have also continued to invest in the refurbishment and maintenance of the existing estate and during the year the Group spent £11.4m on this type of capital expenditure (2008: £10.8m). We are committed to continuing this programme of investment in the existing estate and believe that this is a key element in ensuring the on-going trading success of the like-for-like estate.

During the year the Group opened a total of 19 new outlets, all of which are trading very satisfactorily. All are generating levels of turnover and profit at least in line with feasibility, and in many cases substantially ahead of feasibility. We opened significantly fewer new units in 2009 than in recent years, primarily as a result of property companies and developers significantly reducing new activity over the course of the last two years in response to the economic downturn. After taking into account a number of closures and disposals in the year (primarily

leases and concessions coming to the end of their term) the Group finished the year with 367 trading units. The table below summarises openings and closures during the year.

	Year end 2008	Opened	Closed	Year end 2009
Frankie & Benny's	179	10	(1)	188
Chiquito	61	3	(1)	63
Garfunkel's	22	1	(1)	22
Pub Restaurants	44	-	(2)	42
Concessions	48	5	(1)	52
Total	354	19	(6)	367

We continue to be highly focused on ensuring that all our investments achieve excellent returns on investment. We adopt a rigorous approach to the capital investment appraisal of all new sites. This includes a detailed financial evaluation as well as demographic, competitor and market analysis. All significant projects are approved by the Group board. We also conduct regular post-investment appraisals and these confirm that target levels of return continue to be achieved.

Cash flow

Set out below is a summary cash flow statement for 2009. This clearly demonstrates the strong cash flow generation characteristics of The Restaurant Group and the transparent conversion of operating profits into cash. Net cash flow from operations was £83.5m (2008: £76.5m). Free cash flow (defined as net cash flow from operations less interest, tax and maintenance capex) was £56.2m (2008: £47.3m). This cash flow has been utilised to finance the new site development programme (including the pub freehold acquisitions referred to above) and also to pay cash dividends totalling £14.9m (2008: £14.2m). Working capital was particularly strong in the year, largely due to the beneficial timing of certain items, which will partly reverse in 2010.

Whereas in most recent years, all of the Group's free cash flow has been utilised to develop new sites and pay a dividend, in 2009, due to the lower level of new openings, the business has generated surplus cash which has been used to pay down debt. As a result, even after spending £3.9m acquiring shares for the employee benefit trust, the Group still paid down over £12m of net debt resulting in a year end net debt position of £66.7m (2008: £78.9m).

Cash flow

	2009 £m	2008 £m
Operating profit (before non-trading items)	53.4	54.2
Working capital and non-cash adjustments	3.8	(1.0)
Depreciation	26.3	23.3
Net cash flow from operations	83.5	76.5
Net interest paid	(2.2)	(4.8)
Tax paid	(13.7)	(13.6)
Maintenance capital expenditure	(11.4)	(10.8)
Free cash flow	56.2	47.3
New build capital expenditure	(20.1)	(35.9)
Movement in capital creditors	(6.4)	2.3
Dividends	(14.9)	(14.2)
Normalised net cash flow	14.8	(0.5)
Disposals	0.5	1.8
Net cash flow from share issues	1.0	0.1
Purchase of shares for Employee Benefit Trust	(3.9)	(3.6)
Finance costs offset against bank debt	(0.2)	(0.1)
Change in net debt	12.2	(2.3)
Net bank debt at start of year	(78.9)	(76.6)
Net bank debt at end of year	(66.7)	(78.9)

Financing

The Group has committed banking facilities of £120m and a £10m overdraft facility. The committed bank facility was put in place in December 2007 and runs for five years until December 2012.

The Group has interest rate hedging instruments in place to fix interest costs on £40m of total debt. £20m is fixed at a rate of 3% plus margin until January 2012. A further £20m is fixed at 2.7% plus margin until 2011.

The Group's banking arrangements contain two financial covenants which are tested on a six monthly basis. These, and other key financial ratios, are summarised as follows:

	Banking covenant	2009	2008
EBITDA / Interest cover	>4x	23.9x	14.6x
Net debt / EBITDA	<3x	0.84x	1.02x
Fixed charge cover	n/a	2.5x	2.4x
Balance sheet gearing	n/a	58%	84%

In terms of financial gearing, fixed charge cover (defined as EBITDA plus rent divided by rent plus interest) improved slightly in the year from 2.4 times in 2008 to 2.5 times in 2009 and balance sheet gearing fell from 84% to 58%. In the current climate we are happy to see a

reduction in the overall level of net debt, putting us in a strong position to accelerate the new opening programme as circumstances allow over the next few years.

Taxation

The total taxation charge in the year was £11.1m, as follows:

	2009			2008		
	Trading £m	Non-trading £m	Total £m	Trading £m	Non-trading £m	Total £m
Corporation tax	16.0	(0.7)	15.3	15.0	(0.5)	14.5
Deferred tax	(0.4)	(3.8)	(4.2)	1.1	(0.7)	0.4
Total	15.6	(4.5)	11.1	16.1	(1.2)	14.9

On trading activities the underlying tax charge in the year of £15.6m represents a tax rate of 31.1%, compared to 33% in 2008. The Group's average tax rate is higher than the mainstream corporation tax rate of 28% primarily due to a significant level of disallowable spend within the capital expenditure total. Given the somewhat lower level of total capital expenditure this year compared to other recent years, the differential has reduced somewhat. On an ongoing basis, with a level of total capex more in line with recent years, we would expect our average tax rate to be some 31.5%.

Stephen Critoph
Group Finance Director

3 March 2010

Consolidated income statement

	Note	Year ended 27 December 2009			Year ended 28 December 2008		
		Trading business £'000	Non-trading £'000	Total £'000	Trading business £'000	Non-trading £'000	Total £'000
Revenue	3	435,743	-	435,743	416,530	-	416,530
Cost of sales:							
Excluding pre-opening costs	4	(356,889)	-	(356,889)	(335,731)	-	(335,731)
Pre-opening costs	4	(1,477)	-	(1,477)	(2,513)	-	(2,513)
		(358,366)	-	(358,366)	(338,244)	-	(338,244)
Gross profit		77,377	-	77,377	78,286	-	78,286
Administration costs		(24,017)	-	(24,017)	(24,055)	-	(24,055)
Trading profit		53,360	-	53,360	54,231	-	54,231
Release of provision against carrying value of associate	5	-	-	-	-	39	39
Termination costs	5	-	-	-	-	(637)	(637)
(Loss)/ profit, net of losses on disposal of fixed assets	5	-	(526)	(526)	-	292	292
Operating profit/ (loss)		53,360	(526)	52,834	54,231	(306)	53,925
Interest payable	6	(3,517)	(1,169)	(4,686)	(5,403)	(1,488)	(6,891)
Interest receivable	6	186	-	186	97	-	97
Profit/ (loss) on ordinary activities before tax		50,029	(1,695)	48,334	48,925	(1,794)	47,131
Tax on profit/ (loss) from ordinary activities	7	(15,559)	4,497	(11,062)	(16,147)	1,233	(14,914)
Profit/ (loss) for the year		34,470	2,802	37,272	32,778	(561)	32,217
Earnings per share (pence)							
Basic	8	17.48		18.90	16.67		16.38
Diluted	8	17.40		18.82	16.43		16.15
Dividend per share (pence) ¹	9			8.00			7.70

¹ The dividend per share of 8.00p is the two interim dividends and the proposed final dividend in respect of 2009 (7.70p is the interim and final dividend in respect of 2008).

Consolidated statement of comprehensive income

	Year ended 27 December 2009 £'000	Year ended 28 December 2008 £'000
Profit for the year	37,272	32,217
Exchange differences on translation of foreign operations	(140)	512
Total comprehensive income for the year	37,132	32,729

Consolidated statement of changes in equity

	Share capital £'000	Share premium £'000	Foreign currency translation reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 29 December 2008	55,333	21,104	633	(5,348)	21,884	93,606
Profit for the year	-	-	-	-	37,272	37,272
Exchange differences on translation of foreign operations	-	-	(140)	-	-	(140)
Total comprehensive income for the year	-	-	(140)	-	37,272	37,132
Issue of new shares	235	763	-	-	-	998
Dividends	-	-	-	-	(14,887)	(14,887)
Share-based payments - credit to equity	-	-	-	2,098	-	2,098
Employee benefit trust - purchase of shares	-	-	-	(3,854)	-	(3,854)
Current tax on share-based payments taken directly to equity	-	-	-	-	29	29
Deferred tax on share-based payments taken directly to equity	-	-	-	-	810	810
Balance at 27 December 2009	55,568	21,867	493	(7,104)	45,108	115,932
Balance at 31 December 2007	55,295	21,004	121	(3,648)	4,382	77,154
Profit for the year	-	-	-	-	32,217	32,217
Exchange differences on translation of foreign operations	-	-	512	-	-	512
Total comprehensive income for the year	-	-	512	-	32,217	32,729
Issue of new shares	38	100	-	-	-	138
Dividends	-	-	-	-	(14,187)	(14,187)
Share-based payments - credit to equity	-	-	-	1,897	-	1,897
Employee benefit trust - purchase of shares	-	-	-	(3,597)	-	(3,597)
Current tax on share-based payments taken directly to equity	-	-	-	-	8	8
Deferred tax on share-based payments taken directly to equity	-	-	-	-	(536)	(536)
Balance at 28 December 2008	55,333	21,104	633	(5,348)	21,884	93,606

Consolidated balance sheet

	At 27 December 2009 £'000	At 28 December 2008 £'000
Non-current assets		
Intangible assets	26,241	26,241
Property, plant and equipment	254,841	250,722
	<u>281,082</u>	<u>276,963</u>
Current assets		
Stock	4,122	3,933
Trade and other receivables	5,042	5,652
Prepayments	12,951	12,985
Cash and cash equivalents	2,831	5,470
	<u>24,946</u>	<u>28,040</u>
Total assets	<u>306,028</u>	<u>305,003</u>
Current liabilities		
Corporation tax liabilities	(9,298)	(7,749)
Trade and other payables	(80,326)	(84,211)
Financial liabilities - derivative financial instruments	(2,242)	(1,073)
Other payables - finance lease obligations	(276)	(274)
Provisions	(928)	(825)
	<u>(93,070)</u>	<u>(94,132)</u>
Net current liabilities	<u>(68,124)</u>	<u>(66,092)</u>
Non-current liabilities		
Long-term borrowings	(69,515)	(84,354)
Other payables - finance lease obligations	(2,718)	(2,652)
Deferred tax liabilities	(21,161)	(26,211)
Provisions	(3,632)	(4,048)
	<u>(97,026)</u>	<u>(117,265)</u>
Total liabilities	<u>(190,096)</u>	<u>(211,397)</u>
Net assets	<u>115,932</u>	<u>93,606</u>
Equity		
Share capital	55,568	55,333
Share premium	21,867	21,104
Foreign currency translation reserve	493	633
Other reserves	(7,104)	(5,348)
Retained earnings	45,108	21,884
Total equity	<u>115,932</u>	<u>93,606</u>

Consolidated cash flow statement

		Year ended 27 December 2009	Year ended 28 December 2008
	<i>Note</i>	£'000	£'000
Cash flows from operating activities			
Cash generated from operations	10	77,075	78,764
Interest received		186	97
Interest paid		(2,377)	(4,858)
Tax paid		(13,724)	(13,624)
Net cash flows from operating activities		61,160	60,379
Cash flows from investing activities			
Net proceeds on disposal of investment in associate		-	39
Purchase of property, plant and equipment		(31,519)	(46,723)
Proceeds from sale of property, plant and equipment		463	1,729
Net cash flows used in investing activities		(31,056)	(44,955)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		998	138
Employee benefit trust - purchase of shares		(3,854)	(3,597)
Net (repayments of)/ proceeds from loan draw downs		(15,000)	6,000
Dividends paid to shareholders		(14,887)	(14,187)
Net cash flows used in financing activities		(32,743)	(11,646)
Net (decrease)/ increase in cash and cash equivalents		(2,639)	3,778
Cash and cash equivalents at beginning of year	11	5,470	1,692
Cash and cash equivalents at end of year		2,831	5,470

Notes to the accounts
1 Segmental analysis

	Year ended 27 December 2009					Year ended 28 December 2008				
	Turnover	EBITDA	EBITDA margin	Operating profit	Operating profit margin	Turnover	EBITDA	EBITDA margin	Operating profit	Operating profit margin
	£'000	£'000	%	£'000	%	£'000	£'000	%	£'000	%
Leisure	353,552	89,525	25.3%	69,076	19.5%	328,986	87,147	26.5%	68,951	21.0%
Concessions	82,184	15,862	19.3%	11,040	13.4%	87,275	16,606	19.0%	12,735	14.6%
Principal trading brands	435,736	105,387	24.2%	80,116	18.4%	416,261	103,753	24.9%	81,686	19.6%
Non-core brands	7	(787)	-	(1,262)	-	269	(290)	(107.9%)	(887)	(330.2%)
Total all brands	435,743	104,600	24.0%	78,854	18.1%	416,530	103,463	24.8%	80,799	19.4%
Pre-opening costs		(1,477)	(0.3%)	(1,477)	(0.3%)		(2,513)	(0.6%)	(2,513)	(0.6%)
Administration costs		(21,384)	(4.9%)	(21,919)	(5.0%)		(21,557)	(5.2%)	(22,158)	(5.3%)
Share-based payments		(2,098)	(0.5%)	(2,098)	(0.5%)		(1,897)	(0.5%)	(1,897)	(0.5%)
Total before non-trading items		79,641	18.3%	53,360	12.2%		77,496	18.6%	54,231	13.0%
Release of provision against carrying value of associate				-					39	
Termination costs				-					(637)	
(Loss)/ profit, net of losses, on disposal of fixed assets				(526)					292	
Operating profit				52,834					53,925	
Total net interest charges				(4,500)					(6,794)	
Profit on ordinary activities before tax				48,334					47,131	

EBITDA is operating profit before depreciation, amortisation and non-trading items.

2 Additional non-statutory information

Additional non-statutory income statement information is provided as a useful guide to underlying trading performance. The 2009 and 2008 results include a number of items which are of a one-off nature or are unrelated to the year's result and hence are not representative of the underlying trading performance of the business. The following segmental analysis excludes these non-trading items, as described in note 5, and is provided to aid understanding of the income statement and should be read in conjunction with, rather than as a substitute for, the reported information.

2 Additional non-statutory information *

* Results are stated excluding non-trading items

	Year ended 27 December 2009					Year ended 28 December 2008				
	Turnover	EBITDA	EBITDA margin	Operating profit	Operating profit margin	Turnover	EBITDA	EBITDA margin	Operating profit	Operating profit margin
	£'000	£'000	%	£'000	%	£'000	£'000	%	£'000	%
Leisure	353,552	89,525	25.3%	69,076	19.5%	328,986	87,147	26.5%	68,951	21.0%
Concessions	82,184	15,862	19.3%	11,040	13.4%	87,275	16,606	19.0%	12,735	14.6%
Principal trading brands	435,736	105,387	24.2%	80,116	18.4%	416,261	103,753	24.9%	81,686	19.6%
Non-core brands	7	(787)	-	(1,262)	-	269	(290)	(107.9%)	(887)	(330.2%)
Total all brands	435,743	104,600	24.0%	78,854	18.1%	416,530	103,463	24.8%	80,799	19.4%
Pre-opening costs		(1,477)	(0.3%)	(1,477)	(0.3%)		(2,513)	(0.6%)	(2,513)	(0.6%)
Administration costs		(21,384)	(4.9%)	(21,919)	(5.0%)		(21,557)	(5.2%)	(22,158)	(5.3%)
Share-based payments		(2,098)	(0.5%)	(2,098)	(0.5%)		(1,897)	(0.5%)	(1,897)	(0.5%)
EBITDA/ adjusted operating profit		79,641	18.3%	53,360	12.2%		77,496	18.6%	54,231	13.0%
Total net interest charges				(3,331)					(5,306)	
Adjusted profit before tax				50,029					48,925	
Taxation				(15,559)					(16,147)	
Adjusted profit after taxation				34,470					32,778	
Earnings per share (pence) - trading business										
Basic				17.48					16.67	
Diluted				17.40					16.43	

EBITDA is operating profit before depreciation, amortisation and non-trading items.

3 Revenue	2009	2008
	£'000	£'000

Income for the year consists of the following:

Revenue from continuing operations	435,743	416,530
Other income not included within revenue in the income statement:		
Rental income	3,493	3,575
Interest income	186	97
Total income for the year	439,422	420,202

4 Cost of sales	2009	2008
	£'000	£'000

Cost of sales consists of the following:

Continuing business excluding pre-opening costs	356,889	335,731
Pre-opening costs	1,477	2,513
Total cost of sales for the year	358,366	338,244

5 Non-trading items	Note	2009	2008
		£'000	£'000

Items classified as non-trading within ordinary activities:

Release of provision against carrying value of associate		-	39
Termination costs	<i>i</i>	-	(637)

Profit on disposal of fixed assets	<i>ii</i>	-	306
Loss on disposal of fixed assets	<i>ii</i>	(564)	(626)
(Creation)/ release of accrual for disposal of assets	<i>ii</i>	(80)	600
Amounts receivable	<i>ii</i>	113	-
Other asset disposal included within operating profit	<i>ii</i>	5	12
(Loss)/ profit, net of losses, on disposal of fixed assets		(526)	292

Finance charge arising from remeasurement of interest rate swaps	<i>iii</i>	(1,169)	(1,488)
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Loss on ordinary activities before tax		(1,695)	(1,794)
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Taxation charge on non-trading items	<i>iv</i>	4,497	1,233
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Total non-trading items after tax		2,802	(561)
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i) In the year ended 28 December 2008 the Group incurred £0.6m of termination costs.

ii) During the year the Group disposed of fixed assets and realised a net loss of £0.5m (2008: £0.3m net profit). In the interim accounts for 2009, the disposals had not been completed and the estimated loss was shown in cost of sales and administration costs.

iii) The Group has taken a charge of £1.2m (2008: £1.5m) in respect of the remeasurement of its interest rate

swaps.

iv) In the year ended 27 December 2009, the Group has recognised a non-trading taxation credit of £4.5m (2008: £1.2m). Included within this amount is a credit of £3.6m in relation to the release of a number of provisions created in 2005 following agreement with HMRC on the treatment of a number of transactions.

6 Net finance charges	2009	2008
	£'000	£'000
Bank interest payable	2,886	4,718
Other interest payable	289	368
Interest on obligations under finance leases	342	317
Change in fair value of interest rate swaps	1,169	1,488
Total borrowing costs	4,686	6,891
Bank interest receivable	(6)	(15)
Other interest receivable	(180)	(82)
Total interest receivable	(186)	(97)
Net finance charges	4,500	6,794

7 Taxation

	2009	2008
a) The taxation charge comprises:	£'000	£'000
Current taxation		
UK corporation tax at 28% (2008: 28.5%)	16,058	15,382
Adjustments in respect of previous periods	(756)	(842)
	15,302	14,540
Deferred taxation		
Origination and reversal of timing differences	(1,183)	32
Adjustments in respect of previous periods	(3,057)	347
Credit in respect of rate change	-	(5)
	(4,240)	374
Total taxation charge for the year	11,062	14,914

8 Earnings per share

	<u>2009</u>	<u>2008</u>
a) Basic earnings per share:		
Weighted average ordinary shares in issue during the year	197,212,437	196,669,242
Total basic profit for the year (£'000)	37,272	32,217
Basic earnings per share for the year (pence)	18.90	16.38
Total basic profit for the year (£'000)	37,272	32,217
Effect of non-trading items on earnings for the year (£'000)	(2,802)	561
Earnings excluding non-trading items (£'000)	34,470	32,778
Adjusted earnings per share (pence)	17.48	16.67
b) Diluted earnings per share:		
Weighted average ordinary shares in issue during the year	197,212,437	196,669,242
Dilutive shares to be issued in respect of options granted under the Share Option Schemes	884,472	2,861,641
	198,096,909	199,530,883
Diluted earnings per share (pence)	18.82	16.15
Adjusted diluted earnings per share (pence)	17.40	16.43

9 Dividend

	<u>2009</u>	<u>2008</u>
	<u>£'000</u>	<u>£'000</u>
Amounts recognised as distributions to equity holders during the year:		
Final dividend for the year ended 28 December 2008 of 6.30p (2007: 5.99p) per share	12,188	11,504
Interim dividend for the year ended 27 December 2009 of 1.40p (2008: 1.40p) per share	2,699	2,683
Total dividends paid in the year	14,887	14,187
Second interim dividend for the year ended 27 December 2009 of 6.30p (2008: nil) per share	12,082	-
Proposed final dividend for the year ended 27 December 2009 of 0.30p (2008 actual proposed and paid: 6.30p) per share	575	12,188

The second interim dividend of 6.30p will be paid on 30 March 2010. The proposed final dividend is subject to approval by shareholders at the Annual General Meeting to be held on 6 May 2010. Neither dividend payment is recognised as a liability in these financial statements. The second interim dividend and the proposed final dividend payable reflect the number of shares in issue on 27 December 2009, adjusted for the 5.8m shares owned by the employee benefit trust for which dividends have been waived.

10 Reconciliation of profit before tax to net cash flow from operating activities

	2009 £'000	2008 £'000
Profit before tax	48,334	47,131
Net finance charges	4,500	6,794
Loss/ (profit, net of losses) on disposal of fixed assets	526	(292)
Release of provision against carrying value of associate	-	(39)
Share-based payments	2,098	1,897
Depreciation	26,281	23,265
Increase in stocks	(189)	(584)
Decrease in debtors	758	915
Decrease in creditors	(5,233)	(323)
Cash flows from operating activities	77,075	78,764

11 Reconciliation of changes in cash to the movement in net debt

	2009 £'000	2008 £'000
Net debt:		
At the beginning of the year	(78,884)	(76,573)
Movements in the year:		
Repayments of/ (proceeds from) loan draw downs	15,000	(6,000)
Non-cash movements in the year	(161)	(89)
Cash (outflow)/ inflow	(2,639)	3,778
At the end of the year	(66,684)	(78,884)

Represented by:

	At 31 December 2007 £'000	Cash flow movements in the year £'000	Non-cash movements in the year £'000	At 28 and 29 December 2008 £'000	Cash flow movements in the year £'000	Non-cash movements in the year £'000	At 27 December 2009 £'000
Cash and cash equivalents	1,692	3,778	-	5,470	(2,639)	-	2,831
Bank loans falling due after one year	(78,265)	(6,000)	(89)	(84,354)	15,000	(161)	(69,515)
	(76,573)	(2,222)	(89)	(78,884)	12,361	(161)	(66,684)

12 Basis of preliminary statement

The Group's preliminary announcement and statutory accounts in respect of 2009 have been prepared on a going concern basis. The financial information set out above does not constitute the Group's statutory accounts for the years ended 27 December 2009 or 28 December 2008, but is derived from those accounts. Statutory accounts for 2008 have been delivered to the Registrar of Companies and those for 2009 will be delivered following the Company's Annual General Meeting. The 2009 statutory accounts are prepared on the basis of the accounting policies stated in the 2008 statutory accounts. The auditors have reported on those accounts; their reports were unqualified and unmodified and did not contain statements under s498(2) or (3) Companies Act 2006.