the restaurant group plc

A successful year of consistent growth

Annual Report 2013


The Restaurant Group plc ("TRG" or "the Group") operates over 440 restaurants and pub restaurants. Its principal trading brands are Frankie & Benny's, Chiquito, Coast to Coast and Garfunkel's. The Group also operates Pub restaurants and a Concessions business which trades principally at UK airports.

Overview

Strategic report

Governance

Financial statements

Company financial statements

Financial highlights

The Group had another strong performance in 2013 with significant growth in revenues, profits and cash flow:

- Revenue increased to £580m (like-for-like sales +3.5%)
- Operating margin increased to 12.9%
- EBITDA increased to £107.8m
- Profit before tax increased to £72.7m
- EPS increased to 28.0p per share
- Proposed full year dividend increased to 14.0p per share

Operations strongly cash generative. Operating cash flow £116.8m, up 15%

Roll out continues:

- 35 new sites opened in the period
- 36-43 new sites targeted for 2014

Over 1,000 new jobs created in 2013

Strong current trading, with total sales up 10% and like-for-like sales growth at 3.5% for the eight weeks to 23 February 2014.

Revenue (£m)

+9%

13	**579.6**
12	532.5
11	487.1
10	454.0
09	435.7

EBITDA (£m)

+13%

13	**107.8**
12	95.5
11	89.7
10	83.4
09	79.6

Profit before tax (£m)

+13%

13	**72.7**
12	64.6
11	60.3
10	54.0
09	50.0

EPS (£m)

+16%

13	**28.02**
12	24.08
11	21.86
10	19.25
09	17.48

Dividend per share (p)

+19%

13	**14.00**
12	11.80
11	10.50
10	9.00
09	8.00

At a glance

Strong brands focused on the casual eating-out market

over
1,000
new jobs created

43m
meals served

17 new openings in 2013
232 restaurants

Frankie & Benny's brings together classic American and Italian style with food and drink that always provides great value for money. The kitchen buzzes with bustling activity as the chefs prepare dishes from our broad menu – pizzas, pastas, burgers, grills and other favourites – while, in typical stateside fashion, service at Frankie & Benny's is second to none! Settle into a cosy booth to enjoy a casual family meal or a catch up with friends and observe the clatter and chatter of the open kitchen and the familiar classic 50's and 60's soundtrack playing in the background. The restaurant walls are filled with family snapshots and memorabilia showing life on the lower east side of the Big Apple, helping you into a "New York state-of-mind". First opened in 1995 in Leicester, Frankie & Benny's has become one of the best known casual dining brands in the United Kingdom, and trades successfully in leisure and retail locations, standalone sites and at six airports. The estate comprises of 232 restaurants spread across the country from Aberdeen to St Austell.

4 new openings in 2013
73 restaurants

Mexican for fun, fantastic food, amazing atmosphere – for a good time, guaranteed. The Chiquito menu offers a great range of authentic Mexican & "Tex-Mex" dishes in a lively environment, with fantastic music. The décor draws inspiration from Mexican architecture and Latin style. Some restaurants have a rustic and relaxed feel while others demonstrate the buzz and graphic energy of contemporary Mexico City. Chiquito favourite dishes include nachos, burritos, enchiladas and our signature sizzling fajitas, as well as the old favourites – burgers, ribs, salads and hand-cut steaks from the grill. We specialise in great food, good times and fantastic cocktails to ensure every meal is a fiesta. Chiquito is open for lunch, lazy afternoons and lively evenings, so whether you're out shopping, meeting friends after work or planning a party it's the only place to be! Trading in the UK for over 20 years, Chiquito continues to attract a broad mix of young adults, couples, teenagers, families and large parties. Over 70 leisure, retail and stand-alone restaurants cover the UK with more openings planned.

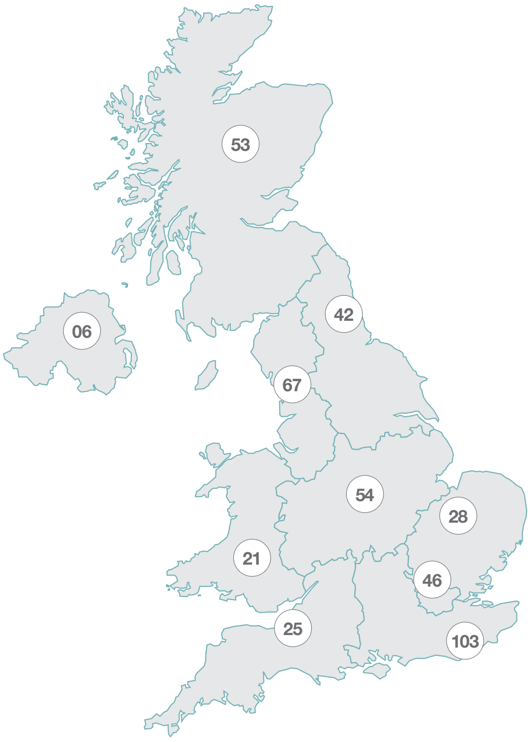
5 new openings in 2013
10 restaurants

Coast to Coast takes its inspiration from the Lincoln Highway, which spans the United States of America from New York to San Francisco. This is reflected in our great range of authentic food and drinks, all served with superb hospitality and service. We offer the best of classic American food – Aberdeen Angus beef burgers, deep dish style Chicago pizzas, distinctive steaks, amazing seafood dishes, wraps and South-West American specials. Coast to Coast is more than just a restaurant, with a great bar serving speciality cocktails and a wide range of beers, spirits and traditional milkshakes. The music is an eclectic mix of Motown and American Rock, songs you may not have heard in a little while, but are absolutely guaranteed to lift your spirits and make you smile. We currently have ten restaurants open and see significant opportunities to grow Coast to Coast into a great brand.

www.frankieandbennys.com

www.chiquito.co.uk

www.c2crestaurants.com



Scotland – 53
29 Frankie & Benny's
09 Chiquito
07 Garfunkel's
08 TRG Concessions

Northern Ireland – 06
05 Frankie & Benny's
01 Chiquito

Wales – 21
13 Frankie & Benny's
03 Chiquito
05 Pub restaurants

South West – 25
16 Frankie & Benny's
06 Chiquito
01 Garfunkel's
02 TRG Concessions

South East – 103
37 Frankie & Benny's
14 Chiquito
20 Pub restaurants
29 TRG Concessions
03 Coast to Coast

London (inside the M25) – 46
15 Frankie & Benny's
07 Chiquito
13 Garfunkel's
05 Pub restaurants
05 TRG Concessions
01 Coast to Coast

East Anglia – 28
15 Frankie & Benny's
05 Chiquito
02 Pub restaurants
05 TRG Concessions
01 Coast to Coast

Midlands – 54
38 Frankie & Benny's
10 Chiquito
03 TRG Concessions
03 Coast to Coast

North West – 67
32 Frankie & Benny's
09 Chiquito
08 TRG Concessions
17 Pub restaurants
01 Coast to Coast

North East – 42
32 Frankie & Benny's
09 Chiquito
01 Coast to Coast

Pubs

4 new openings in 2013
49 pub restaurants

Really great pubs are timeless, familiar and very British. Everybody knows what their perfect pub looks like. Each of ours has its own style and personality, and you'll always find a warm welcome, set against a backdrop of ageless interiors. Mostly set in beautiful rural or semi-rural locations, each pub has a 'local' feel and many are set in intriguing buildings with fascinating histories. We don't want all our pubs to look and feel the same – instead we preserve the character of the building, which after all was what attracted us to the property in the first place. We serve a wide selection of cask ales which changes frequently and always try to include a local brew or two. We have decent but not over the top wines and the essence of our freshly prepared food is classic British dishes, complemented by more exotic influences from other parts of the world: what we believe is modern British cookery. Seasonal and local specials mean the menu always offers new choices alongside trusted favourites each time you visit. There's friendly, engaging service from the moment you arrive, ensuring that all your needs are taken care of. We believe that, when done well, classic pubs will never go out of fashion, and that opportunities to expand in the sector are available for experienced operators with the right offer for customers.

www.trgplc.com/our-restaurants
www.brunningandprice.co.uk

trg concessions

5 new sites opened in 2013
60 sites

TRG's Concessions business has a market-leading reputation for developing partnerships to deliver catering solutions that meet the needs of our clients and their customers. Currently operating from 60 outlets in the UK's busiest airports, other transport locations and shopping centres, we have more than 20 years of experience providing exceptional hospitality to the travelling public. Our specialist operating knowledge and flexibility ensures successful performance across our diverse brand portfolio, covering a wide range of popular categories including table service, counter service, sandwich shops, pubs and bars. To meet client and customer needs we deliver existing TRG brands, create bespoke concepts and establish partnerships to franchise brands from third parties as appropriate. Building on our track record of innovation, partnership and performance ahead of sector growth will ensure we remain a market leader in this exciting sector.

wwwtrgconcessions.co.uk

GARFUNKEL'S RESTAURANT

21 restaurants
(including 5 Filling Station)

Garfunkel's – founded in London's West End in 1979, Garfunkel's is proud to be the original British café restaurant serving breakfast, lunch and dinner all day every day. Wake up to a traditional British fry-up or a warming bowl of porridge, we have great coffee too, made just the way you like it. For lunchtime our salad bar really hits the spot, its fast, its fresh and you can make it any way you want to. And of course there's Garfunkel's classics like rotisserie chicken, hand-battered fish and chips and tasty topped burgers fresh from the grill. Everything has been chosen because we just love the taste. Principally located across Central London, each Garfunkel's restaurant offers a place to relax and take a break from the hustle and bustle outside, with a loyal following of visitors, local residents and workers who have been eating at Garfunkel's for years.

Garfunkel's restaurants offer a friendly welcome and broad menu in a warm contemporary setting, just what you need after a hectic shopping trip in the West End or the perfect way to complement a theatre visit.

www.garfunkels.co.uk

Chairman's statement

"We have made a strong start to the current year, with sales growth of 10% (like-for-like sales up 3.5%) for the first eight weeks of the year."

35
new restaurants opened

3.5%
increase in like-for-like sales

The Group delivered another strong performance in 2013 with significant growth in revenues, profits and cash flow. This is particularly impressive as it follows on from a decade of consistent growth and demonstrates the very formidable strength of the Group's business.

Like-for-like sales were 3.5% ahead of the previous year which represents an outperformance against our sector. I am very encouraged that this trend has continued into 2014 with like-for-like sales for the eight weeks to 23 February 2014 3.5% ahead of the previous year (first eight weeks of 2013: +6.5%).

The continuing squeeze on household finances has been widely reported and this has meant that conditions for consumer-facing businesses were again tough in 2013. By focusing on our customers and giving a wide range of choice we have ensured that the Group has continued to make profitable progress, once again, delivering record profits and earnings.

We increased our openings programme during 2013 with 35 new restaurants opened. Of these, 19 restaurants opened in the final two months of the year and it is testament to the strength of the TRG team that all were successfully opened whilst, at the same time, our existing restaurants enjoyed a flourishing level of trade. We are delighted with the performance of our new openings and they are set to deliver good returns. Looking forward, we have a superb pipeline of new sites covering the period 2014 to 2016.

In 2013, the Group's revenues grew by 9% to £580m (2012: £533m), profit before tax grew by 13% to £72.7m (2012: £64.6m) and earnings per share grew by 16% to 28.0p (2012: 24.1p). This increase in earnings per share represents a compound annual growth rate of 11% over the five years to December 2013. This represents strong growth, delivered consistently over a long period of time and is reflective of our first class business and the efforts of our management team.

19%

dividend growth

“We are well placed to continue our further profitable progress.”

13%

increase in profit before tax

As a result of this strong performance, the Board is recommending a final dividend of 8.75p per share to give a total for the year of 14.0p (2012: 11.8p) an increase of 19%. This dividend is covered two times by earnings per share, in line with our dividend policy. Subject to shareholder approval at the Annual General Meeting to be held on 15 May 2014, the final dividend will be paid on 9 July 2014 and the shares will be marked ex-dividend on 18 June 2014.

TRG has consistently demonstrated the strength and resilience of its business model and this is, again, another set of record results. The Group is managed by a stable, experienced and long standing team, in a disciplined and focused manner – growing organically and also through judicious and carefully executed roll out. By operating in this manner, TRG is able to grow its estate, increase earnings and dividends and generate high levels of cash and returns on investments.

These outstanding results are a product 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 our teams across the country.

As recently announced, Andrew Page, our Chief Executive Officer, will be retiring at the end of August after thirteen years with the Group. Under Andrew’s leadership, The Restaurant Group has developed into a first class and firmly established FTSE-250 business, with an excellent track record of growth in earnings, dividends and shareholder value. The Board and I, personally, would like to express our heartfelt thanks and congratulations to Andrew on the immense success he has achieved at TRG during his tenure. I am delighted that Andrew has agreed to continue as an Advisor to the Chairman and Board on an annually renewable basis for two days a week. The search for a new Chief Executive Officer is well underway.

We have made a strong start to the current year, with sales growth of 10% (like-for-like sales up 3.5%) for the first eight weeks of the year and we are looking to build further on this as we move through the year. We have an outstanding business with market-leading brands in excellent locations, and an experienced management team with real strength and depth. All of our brands are well recognised, providing our customers with a wide range of choice and superb value for money. I am confident that we are well placed to continue our further profitable progress.

Alan Jackson
Chairman
26 February 2014

Chief Executive Officer's review of operations

"Building on the solid growth achieved in each year over the past decade, TRG delivered further profitable progress in 2013."

13%

increase in EBITDA

16%

increase in earnings per share

Introduction

The Restaurant Group has an excellent track record of delivering consistent, year on year, growth in cash flow and profits combined with high returns on investment. Building on the solid growth achieved in each year over the past decade, TRG delivered further profitable progress in 2013.

The Group achieved like-for-like sales growth in 11 out of 12 months with full year like-for-like sales growth of 3.5%. As in previous years, like-for-like profits also increased. I am pleased to report that good like-for-like sales growth continues, and, after the first eight weeks of 2014, like-for-like sales are 3.5% ahead of the previous year. Total sales for 2013 were £580m (2012: £533m) an increase of 9% and earnings per share increased by 16% to 28p (2012: 24p); this represents a good result and augurs well for the future.

Results

TRG delivered strong trading metrics for the 52 week period to 29 December 2013:

- Total sales increased by 9%
- Like-for-like sales increased by 3.5%
- 43 million meals were sold
- EBITDA increased by 13% to £108m
- Operating profit increased by 13% to £75m
- Operating margin increased by 40 basis points to 12.9%
- Pre-tax profit increased by 13% to £72.7m
- Earnings per share increased by 16% to 28p
- Cash flow generated from operations increased by £15m to £117m
- Free cash flow increased by £7.9m to £77.1m

Chief Executive Officer's review of operations
continued

Our people and our business

Throughout TRG we aim to continually evolve and improve our offering – food, service, facilities and standards. Our menus are reviewed twice a year; our seasonal specials menus change quarterly and we pay close attention to the nutritional and calorific content of dishes to ensure that we have something to match all of our customers' requirements. We pay close attention to our children's offerings to ensure that they afford the opportunity to form part of a sensibly balanced diet. We are also committed to support the Government's initiatives to encourage healthier lifestyles and, to this end, we have made a number of pledges including salt reduction and encouraging physical activities. As part of our ongoing health and safety assurance processes we regularly conduct testing of products and facilities at our suppliers.

Our focus continues to be directed towards providing our customers with a great dining experience – plenty of choice across the price points, offerings geared towards specific parts of the day, good value and superb hospitality and service. We strive to employ the best people and to provide them with an opportunity to develop. Our staff benefit from a number of training programmes as soon as they join us and, as they progress, we provide them with the skills necessary to be efficient and effective managers. In addition to our management training programmes, our staff at all levels have the opportunity to secure qualifications in several areas relevant to our industry, including food hygiene, health & safety, NVQ's and BII accreditations.

We employ more than 12,000 people throughout the UK and during 2013 more than 1,000 new team members joined TRG. As we continue to open new restaurants, the opportunities for our people to progress and secure promotion increase and this helps TRG to attract and retain high quality team members.

Our brands

Frankie & Benny's (232 units)

Frankie and Benny's traded strongly in 2013 delivering significant increases in turnover, EBITDA and profit. Once again, margins were very strong and this is particularly encouraging as we have been further building the team and resource base in anticipation of an increased rate of roll out. During the year we opened 17 new restaurants of which six were on cinema sites. Trade at the new openings has been strong and they are on track to deliver excellent returns. We anticipate opening between 18 and 22 new Frankie and Benny's restaurants in 2014. The strength of the Frankie and Benny's brand, its breadth of appeal, versatility and high level of customer recognition all contribute to a consistent track record of success. This gives us great confidence that there is significant future roll out potential for this brand.

Coast to Coast (10 units)

We opened our first Coast to Coast restaurant in Brighton in November 2011. By the end of 2013 we had ten Coast to Coast restaurants of which five were opened during the year. The performance of our Coast to Coast restaurants has been excellent and in a handful of cases, truly exceptional. They are set to deliver strong returns. Eight of our ten Coast to Coast restaurants trade alongside either, or both, Frankie and Benny's and Chiquito. These three brands complement each other well and we plan to continue to open further Coast to Coast restaurants alongside our other Leisure brands. We are planning to open between five and seven new Coast to Coast restaurants in 2014 and we have identified several dozen locations where we are confident that a Coast to Coast restaurant would trade well. Our forward pipeline is encouraging and we believe that this brand has significant roll out potential.

Chiquito (73 units)

Chiquito performed well in 2013 with a solid increase in revenues and a significant increase in EBITDA, profit and margins. We opened four new Chiquito restaurants during the year. They are trading superbly and are set to deliver strong returns. During 2014 we expect to open between five and seven new Chiquito restaurants.

Chief Executive Officer's review of operations
continued

More than
12,000
employed

Garfunkel's (16 units)
Garfunkel's traded superbly during 2013 and this has continued into 2014. Central London, the traditional heartland of Garfunkel's, has been especially buoyant and Garfunkel's has benefited from this. Like-for-like sales growth was exceptionally strong and this translated into significant increases in turnover, profit and margins. We are continuing to search for new site opportunities which will deliver our required returns.

Pub restaurants (49 units)
Our Pub restaurants business traded strongly throughout the year and delivered significant increases in turnover, profits and margins. We opened four new Pub restaurants during the year and these are trading well and are set to deliver strong returns. During the year our recent opening, The Bulls Head, at Mottram St. Andrew, won the Good Pub Guide's "Best New Pub of the Year" award. We continue to build a portfolio of high quality pubs in terms of location, appeal, standard of food and service and, most importantly, consistent growth in profits. Our Pub restaurant business has the potential to grow significantly over the medium term and also to command a niche position as a high quality, nationwide Pub restaurant business. During 2014 we expect to open four to six new Pub restaurants.

Concessions (60 units)
Our Concession business traded strongly in 2013 with a solid increase in turnover and significant increases in EBITDA, profits and margins. Our business continues to gain market share and, as passenger numbers start to increase, we are confident that this trend can continue. During the year we opened five new units and these are set to deliver strong returns. We expect to open two to four new Concession restaurants in 2014.

The TRG business model and strategy
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 cash flows. Our touchstones are cash flow and return on investment. Our business model enables our shareholders to enjoy the benefits of high returns on capital, growth in profits and cash flow and sizeable income distributions from our progressive dividend policy. The Group has a consistent record of converting profits into cash at a very healthy rate, and delivering increasing cash flows each year, and in 2013 this was again the case.

In 2013 the Group generated £116.8m of operating cash flow and having paid a corporation tax bill of £17.7m, interest payments of £1.1m and spending £20.9m on capital improvements for our existing estate, the Group's free cash flow amounted to more than £77m. This was £7.9m ahead of the previous year and continued the Group's record of growing cash flow each year.

This cash is put to good use – in 2013 we spent almost £56m on new developments which will, in turn, contribute to the continuing growth in the Group's profits and cash flows; we returned almost £25m to our shareholders by way of dividends.

This virtuous circle of rising profits being converted into higher levels of cash flow which is then invested in new restaurants which, in turn, deliver high levels of return on invested capital is a highly efficacious and value-accretive model. TRG's business model enables the Group to grow in a predominately organic and highly value-accretive way, funded from its internally generated funds. Our model delivers high returns, growth and income in the form of dividends. The model is robust, resilient and rewarding for our shareholders.

£56m
on new developments

£25m
paid in dividends

£116.8m
of operating cash flow

TRG's capital structure

The Group's capital structure is framed in a sensible and prudent manner which enables shareholder value to grow and which recognises the operational and financial gearing inherent in our (predominantly) lease-based business model. In determining the appropriate capital structure, the key considerations which we keep under regular review are:

1. The level of free cash flow generated and our expectation for this going forward;
2. The level of capital investment required to maintain our estate to a high standard and fund our new openings (and our expectations with regard to the number of new openings over the medium-term);
3. The maintenance of our progressive dividend policy and our intention to grow dividends in line with earnings;
4. Ensuring that we have sufficient financial resources available to take advantage of opportunities to expand the business profitably;
5. Ensuring that we have sufficient financial resources available to cope with a deterioration in trading conditions as a result of an economic downturn or other adverse factors; and
6. Maintaining a good level of fixed charge cover as measured by the Group's ability to meet and service all of its financial obligations.

As a result of strong cash generation, the Group has reduced its levels of debt significantly. In the six years since the end of 2007, net debt has reduced from £77m to £42m. During this period the Group has invested more than £200m in opening 171 new restaurants and acquiring freeholds of our existing Pub restaurants, £85m (maintenance capital) has been invested in maintaining the existing estate and £114m has been paid out to shareholders in the form of dividends. During much of this period the economic backdrop has been poor (and at times very bleak). Against such a backdrop we believe that TRG's prudent capital structure has been appropriate, safeguarding shareholders' interests whilst allowing the Group to grow profits and cash flow and for dividends to increase.

Capital expenditure and TRG opening programme

Our key criteria in determining where to invest our capital is to operate restaurants in locations with high barriers to entry, good growth prospects and where we are confident that we can secure high returns on investment. Our focus is on edge of town, out of town, rural, semi-rural and airport locations and we occupy leading market positions in these segments. The footprint that the Group occupies in edge and out of town leisure and airport locations is comprehensive and, from a market positioning perspective, very formidable. It would be virtually impossible to replicate this footprint from scratch and the Group is well placed to continue to roll out more restaurants.

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 continue to apply the same 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. This disciplined and consistent approach has also ensured that our new openings continue to deliver strong returns. It is particularly encouraging that returns from our openings in recent years have been at some of the highest levels achieved in the past decade.

Our free cash flow generation is sufficient to enable the Group to accelerate the openings programme whilst maintaining maintenance capital expenditure at an appropriate level and pursuing a progressive dividend policy. Looking forward over the next two to three years the quality and quantity of our forward pipeline is the best that we have seen for many years.

During 2014 we are expecting to open between 36 and 43 new restaurants and we are also successfully adding to our potential pipeline for the next two to three years.

Overview
Strategic report
Governance
Financial statements

Chief Executive Officer's review of operations
continued

Market dynamics and the economy

The backdrop for consumer-facing businesses has been especially tricky over the past five years. The squeeze on household finances has meant that companies in consumer-facing businesses have had to adapt and make important choices as to how they operate. Those companies that have established strong market positions, with offerings that are accessible, attractive, convenient, well understood, trusted and are seen by their customers to offer good value have tended to outperform. Customers have become more selective about what, and how, they purchase and it is noteworthy how important a strong and clear online offering and communication platform has become for many parts of the retail marketplace. The ability to read and quickly adapt to customer trends is increasingly important.

With many households experiencing a squeeze on funds available for discretionary spend, harder choices between competing consumption wishes are having to be made. Consumer-facing businesses have had to work harder to claim a share of this smaller cake.

Those companies that operate in the dining out sector have approached these challenges in different ways. Many have chosen to compete for customers largely on price and this has often manifested itself via heavy promotions and deep discounting. "Buy one get one free" and other similar, deep discounting, offers have been rife, and still are. Our Group has adopted a different approach, focusing on value, choice and consistency of service and standards. Last year, the proportion of TRG's revenues which were driven by promotions was, as in the previous year, very modest. We have also increasingly harnessed digital media to broaden awareness of our brands and what we can offer. These tactics have served TRG well, enabling it to continue to grow profits and protect margins.

Eating out has become habitual in the UK and it is an activity that many people are reluctant to give up. At our price point it represents a "small ticket" item or, to put it another way, "an affordable treat". In times of fiscal restraint and stretched finances, it is a pleasure in which many people still feel able to indulge.

Growth in eating out is a secular trend, driven largely by socio-economic factors (ageing population, busy lifestyles, more women in the workplace etc.) and this is set to continue over the longer term. Despite the current climate TRG has been able to secure good levels of like-for-like sales growth in both 2012 and 2013 and, as conditions improve and particularly when people feel more confident about their jobs and incomes, this is likely to accelerate.

TRG's approach has put us in a strong position to accelerate the growth of the business as UK economic growth becomes more firmly established.

After several years of declining or static real GDP, the UK economic outlook has started to look brighter. This is most welcome and, although some commentators have emphasised that it is founded on consumer spending (funded via debt) and a more buoyant housing market, it is certainly a significant improvement on recent years.

Most of the key UK economic measures and indicators are showing improvement: GDP growth has picked up with the UK recording growth levels well ahead of its European neighbours, inflation has abated and employment levels are at record levels. The rate of creation of new jobs over the last twelve months has been encouraging and if productivity levels improve it is likely that we will start to see an increase in real wage growth, something that has been elusive for several years.

There are, however, a number of concerns including the prospect of a tightening in monetary policy which would lead to higher interest rates impacting households with floating rate mortgages and/or other debt to be serviced. Since 2008 we have witnessed global monetary stimulus on an unprecedented and exceptional scale and the UK has participated extensively in this. At some point the UK's loose monetary policy will end – the timing and extent of the tightening will be an important determinant of the UK's prospects for sustained growth and, more particularly, the prospects for household and consumer finances. With "forward guidance" still in its infancy in the UK, it is difficult to predict when, and to what extent, monetary

36-43
new restaurants expected in 2014

£25m
to our shareholders by way of dividends

tightening will be implemented. However, it seems clear from the Bank of England's recent pronouncements that low UK interest rates are likely to be with us for some time and this is good news from a consumer and household perspective.

Low interest rates, low inflation, high levels of employment and real wage growth will be key determinants in the acceleration of growth and thus the medium term outlook for our sector.

Future prospects

Over the past five years, our business has experienced some difficult trading conditions and during that period sales, profits and cash flow increased every year. Also within that period we have devised and developed our new brand, Coast to Coast, and executed its initial roll out very effectively, further widening TRG's development path.

TRG's businesses command strong market positions in each of our chosen segments and our brands are widely recognised for the quality, breadth and value of their offerings. We have a well proven business model, a strong balance sheet, an experienced management team and are well positioned to continue our expansion. Just as we did in 2013, during 2014 we will continue to:

- Stick to our areas of expertise;
- Focus on our customers by providing excellent value, choice and service;
- Maintain high standards of operational efficiency and execution;
- Carefully control our costs and seek to mitigate and minimise the impact of inflationary input costs;
- Add high quality new restaurants that meet our investment criteria to our portfolio; and
- Focus on cash flow, returns and growing shareholder value.

Our aim is to continue to strengthen our market positions, to judiciously roll out our brands and deliver long-term and sustainable profitable growth. The Group has demonstrated its resilience and we expect it to benefit significantly from an upturn in consumer confidence.

The future

This is my final report as The Restaurant Group's Chief Executive Officer as I will be retiring at the end of August. It has been a truly remarkable journey which started in June 2001 when we took a business that had lost its way, re-structured and re-orientated it and then, from firm foundations, have grown it to become the successful company that we have today. Credit for this success belongs to the TRG team who, at times, have achieved the seemingly impossible and throughout have delivered a consistently fine performance for our shareholders. They are an outstanding group of people and it has been my privilege to lead them over the past ten years.

As so often in past years, 2013 presented some big challenges. As always, our team rose to those challenges to deliver a superb performance. All of our people will be working towards replicating this in 2014. The first two months of 2014 have started well with total sales 10% ahead of last year (like-for-like sales up 3.5%) and we will be looking to build further on this as we move through the year.

The Restaurant Group is in great shape and I am confident that it will continue to prosper.

Andrew Page
Chief Executive Officer
26 February 2014

Group Finance Director's report

"Another record set of financial results."

Results

2013 was another challenging year, with consumer discretionary spending continuing to be under significant pressure. The Restaurant Group nevertheless performed extremely well and has achieved another record set of financial results, as follows:

	2013 £m	2012 £m	% change
Revenue	**579.6**	532.5	+8.8%
Operating profit	**74.9**	66.4	+12.8%
Margin %	**12.9%**	12.5%	
Net interest	**(2.2)**	(1.8)	
Profit before tax	**72.7**	64.6	+12.6%
EPS (pence)	**28.02**	24.08	+16.4%

Total revenue increased by 8.8%, reflecting a 3.5% increase in like-for-like sales and the impact of new openings in 2012 and 2013. Total EBITDA for the year was £107.8m and operating profit was £74.9m, both representing an increase of almost 13% on the prior year. It was also very pleasing to see meaningful progress on operating margin, which increased by 40 basis points to 12.9%. This improvement resulted from operational leverage benefits, detailed focus on all areas of cost and a low level of promotional discount activity.

In 2012 the Group benefitted from a £0.4m payment of historical outstanding loan note interest from Living Ventures. There was no such item in 2013 and this was the principal factor behind the increased level of net interest costs during the year.

Profit before tax was £72.7m, an increase of almost 13% compared to the prior year. The average tax rate in the year was 22.7%, compared to 25.3% in the prior year. This resulted in net profit after tax of £56.2m and EPS of 28.02p, an increase of more than 16% compared to the prior year.

Cash flow

Once again the Group's cash flow generation was extremely strong with net cash flow from operations increasing to almost £117m (2012: £102m). Free cash flow (after interest, tax and maintenance capital) was over £77m, a substantial increase on the prior year (2012: £69.2m). As the Group's new opening programme accelerates, we are increasing our level of development capital expenditure (as described in more detail below). After a substantial increase in dividend payments, this resulted in net debt at year end of £41.9m, an increase of £5.9m compared to the prior year.

Set out below is a summary cash flow for the year:

	2013 £m	2012 £m
Operating profit	**74.9**	66.4
Working capital and non-cash adjustments	**9.0**	6.5
Depreciation	**32.9**	29.1
Cash flow from operations	**116.8**	102.0
Net interest paid	**(1.1)**	(0.9)
Tax paid	**(17.7)**	(16.1)
Maintenance capital expenditure	**(20.9)**	(15.8)
Free cash flow	**77.1**	69.2
Development capital expenditure	**(55.7)**	(39.2)
Dividends	**(24.9)**	(21.7)
Purchase of shares for employee benefit trust	**(2.3)**	(2.9)
Other items	**(0.1)**	0.2
Net cash flow	**(5.9)**	5.6
Net bank debt at start of year	**(36.0)**	(41.6)
Net debt at the end of year	**(41.9)**	(36.0)

"Cash generation was extremely strong."

Cost inflation

Following a number of years in which food cost inflation has been running at elevated levels, in the second half of the year we started to see some abatement in these levels of increase. This has been due to a variety of factors including; good crop harvests in 2013, some modest strengthening in sterling against both the Euro and US Dollar during the course of the year and sensible decisions about the timing of new longer term supply deals. We currently anticipate that this slightly more benign environment on food cost inflation will continue in 2014.

Minimum wage increased by 1.9% in October 2013, following a 1.8% increase in October 2012. We are beginning to see some modest increase in underlying wage cost inflation, reflecting the strong employment statistics and recent strengthening in the UK economic situation. Whereas we anticipate a more benign environment on food cost inflation in 2014, we expect some continued firming in wage costs as the economy and employment levels continue to improve.

In relation to utility costs, all our key electricity contracts are fixed through until October 2014 and gas through until spring 2015. This is an area where we continue to see strong inflationary pressures. Rent also is an area where, following very low levels of increase during the economic downturn, we are seeing modest increases in the typical level of five yearly rent review.

Capital expenditure

During the year the Group invested a total of £76.6m in capital expenditure, a significant increase on the prior year (2012: £55.0m). This total includes £20.9m of maintenance and refurbishment expenditure and £55.7m of development expenditure. Development capital includes five freeholds opened during the year (three pubs and two leisure sites), as well as £5m of current year capital investment in relation to sites that will open during the course of 2014. During the year we opened a total of 35 sites and these are all performing well, generating levels of turnover and return typically ahead of the feasibility requirement. The table below summarises openings and closures during the year:

	Year end 2012	Opened	Closed	Year end 2013
Frankie & Benny's	217	17	(2)	**232**
Coast to Coast/ Filling Station	11	5	(1)	**15**
Chiquito	69	4	–	**73**
Garfunkel's	19	–	(3)	**16**
Pub restaurants	45	4	–	**49**
Concessions	61	5	(6)	**60**
Total	**422**	**35**	**(12)**	**445**

The closures included four marginal, end of lease sites and two sites in Victoria Station in London where we have signed leases for new sites which will open during the course of 2014.

Financing and key financial ratios

As described in previous annual reports, we currently have a £140m five year facility in place which runs until October 2016. There are two covenants under this facility which are summarised in the table below, together with other key financial ratios:

	Banking Covenant	2013	2012
Banking covenant ratios			
EBITDA/interest cover	>4x	**48x**	41x
Net debt/EBITDA	<3x	**0.39x**	0.38x
Other ratios			
Fixed charge cover	n/a	**2.7x**	2.6x
Balance sheet gearing	n/a	**19%**	20%

The Group has very substantial headroom against both of the banking covenants and continues to be in a very strong financial position. This strong financial position means that we are comfortably able to accelerate our opening programmes over the next few years, including investing in freehold sites where appropriate, whilst at the same time investing in and maintaining the existing estate.

Tax

The total tax charge for the year was £16.5m analysed as follows:

	2013 £m	2012 £m
Corporation tax	**19.2**	18.1
Deferred tax	**(2.7)**	(1.8)
Total	**16.5**	16.3
Effective tax rate	**22.7%**	25.3%

The effective tax rate in the year of 22.7% has reduced substantially compared to the prior year. This partly reflects the ongoing reduction in the headline rate of corporation tax (which reduced from 24% in tax year 2012/13 to 23% in 2013/14, and where legislation has now been enacted which will see it reduced to 21% in 2014/15 and 20% from 2015/16). As a result of this legislation having been enacted our deferred tax liability has been revalued at the eventual taxation rate of 20%. The Group's effective tax rate will continue to be higher than the headline UK tax rate primarily due to our capital expenditure programme and the significant levels of disallowable expenditure therein.

Stephen Critoph
Group Finance Director
26 February 2014

Strategy

The Restaurant Group's key objective is to grow shareholder value and the strategy deployed to achieve this is to build a business capable of generating long-term, sustainable and growing cash flows. In pursuit of this we have built a scalable business model which is focused on the growing casual eating out market. We have targeted areas of this market which offer distinct barriers to entry and where we can be confident of delivering good growth in profits and cash flows and where there is good potential for high returns on investment. This has led the Group to focus on edge and out of town leisure and retail developments, rural and semi-rural pubs and our Concessions business which operates principally on airports. The Group operates in the expanding casual dining market and our offerings continue to provide good value for money in comfortable surroundings and excellent service from our dedicated teams.

The Group's strategy is to deliver organic growth through the roll out of our brands. We have a solid pipeline of sites for development, coupled with a strong focus on continuing to deliver like-for-like sales growth from our existing restaurants.

Our Concessions business operates in a dynamic and complicated market where our management teams have market-leading expertise and a track record of innovation and improving sales performance and the Group continues to look for opportunities to expand this business.

Risks that might impact the successful execution of this strategy and the KPIs we use to measure its success are discussed below.

Principal risk factors

The Board of Directors regularly identify, monitor and manage potential risks and uncertainties to the Group. The list below sets out what the Directors consider to be the current principal risks and uncertainties, with an overview of the mitigation process for these. This list is not presumed to be exhaustive and is, by its very nature, subject to change.

Further information on the management of risks highlighted below is provided in the Chief Executive Officer's review of operations and Group Finance Director's report.

Risks and uncertainties	Mitigation process
Adverse economic conditions and a decline in consumer confidence and spend in the UK	Regular monitoring of performance and appropriate action plans
Increased supply of new restaurant concepts into the market	Concentration on segments offering higher barriers to entry and good growth prospects; regular monitoring of performance and appropriate action plans
Impact of terrorism in key locations (including airports)	Contingency planning and training; liaison with authorities and landlords in key locations
Lack of new site opportunities, and risks to existing Concession agreements	Dedicated property department focusing on new site development, strong relationships with Concessions partners
Failure to provide customers with brand-standard value for money offerings and service levels	Training, mystery diner visits, monitoring of customer feedback, internal quality control testing
Major failure of key suppliers to deliver products into restaurants	Contingency planning for supply chain and suppliers
Damage to our brands' images due to failures in environmental health compliance in the restaurants or from contamination of products	Training of restaurant and pub teams; detailed health and safety manual; regular internal and external auditing of all sites; auditing of supply chain and suppliers; health and safety incentives and awards
The loss of key personnel or failure to manage succession planning	Benchmarking of remuneration packages; analysis of staff turnover; performance appraisal and review system to retain existing talent; Long-Term Incentive Plan
Increase in prices of key raw materials (including foreign currency fluctuations), wages, overheads and utilities	Rolling programme of securing longer-term contracts to mitigate short-term pricing fluctuations; energy efficiency programme
Increased regulation of the food and beverage industry leading to higher costs	Monitoring of developments and liaison with external authorities such as the Food Standards Agency and Department of Health
Breakdown in internal controls through fraud or error, major failure of IT systems	Experienced staff in key roles; segregation of duties; internal and external audit processes; Audit Committee role

Key performance indicators

The Board of Directors and executive management receive a wide range of management information delivered in a timely manner. Listed below are the principal measures of progress that are reviewed on a regular basis to monitor the development of the Group.

Like-for-like sales

This measure provides an indicator of the underlying performance of our existing restaurants, and highlights successful development of our offerings to best match changing consumer demands over time. There is no accounting standard or consistent definition of "like-for-like sales" across the industry, although the Group has applied a consistent basis of calculation across years for reporting like-for-like performance. During 2013, Group like-for-like sales increased by 3.5% which followed a 4.5% increase in 2012.

New sites opened

The expansion of our brands is a key driver of the Group's profitability. As noted in the Group Finance Director's report, potential new sites are subject to a rigorous appraisal process before they are presented to the Board for approval. This process ensures we maintain the quality of openings as well as the quantity of sites opened. During 2013 the Group opened 35 new sites (2012: 28) and plans to open 36 to 43 new restaurants during 2014.

EBITDA

The ability of the Group to finance its roll out programme is aided by strong cash flows from the existing business. The Group defines EBITDA as operating profit before depreciation, amortisation and non-trading items. EBITDA serves as a useful proxy for cash flows generated by operations and is closely monitored. During 2013 the Group generated £107.8m EBITDA, an increase of 13% on the 2012 comparable level of £95.5m.

Operating profit margin

The Board and management closely monitor profit margins as an indicator of operating efficiency within restaurants and across the Group. For 2013 the Group operating margin was 12.9% (2012: 12.5%).

In addition, the Group closely scrutinises the returns on invested capital from new site openings and the average EBITDA generated by restaurants. Further information on these key metrics is provided in the Chief Executive Officer's review of operations and the Group Finance Director's report.

People

As at 29 December 2013 6,700 of TRG's employees were women. One member of the executive team of nine (excluding Directors) was female (this has increased to two of nine since the year end). We have an excellent pipeline of new managers coming up through the ranks – 64% of junior managers and 38% of area managers are women. Since the retirement of Trish Corzine in May 2013, the Board has had no female Directors for the first time in over 10 years. The Board's approach to gender diversity is covered in more detail in the Report of the Directors.

TRG's operations are located wholly within the UK and the Company respects all relevant human rights legislation. Further information on TRG's social and community engagement can be found in the Report of the Directors.

Approved by the Board of Directors and signed on behalf of the Board.

Stephen Critoph
Group Finance Director and Company Secretary
26 February 2014

Board of Directors
as at 26 February 2014

Alan Jackson
Non-executive Chairman

Aged 70, he joined The Restaurant Group plc as Executive Chairman in March 2001 and became non-executive Chairman from January 2006. He has a wealth of experience in the leisure sector. For 18 years, from 1973 to 1991, he occupied various positions within Whitbread, principally Managing Director of Beefeater steakhouses and also the Whitbread restaurant division where he was responsible for the creation and development of Beefeater, Travel Inns and TGI Friday brands. After the Beer Orders in 1991 he founded his own business which became Inn Business Group plc in 1995 and was subsequently acquired by Punch in 1999. He chaired Oriental Restaurant Group plc until its sale to Noble House in 2000. Currently Alan is non-executive Chairman of Playtech plc and non-executive Deputy Chairman of Redrow plc.

Andrew Page
Chief Executive Officer

Aged 55, he joined The Restaurant Group plc as Finance Director in June 2001. In December 2003 he was appointed Group Managing Director and in January 2006 became Chief Executive Officer. His career has spanned both international and domestic businesses. Prior to joining The Restaurant Group plc, he held a number of senior positions in the leisure and hospitality industry including Senior Vice President with InterContinental Hotels and Finance Director of Hanover International plc. Prior to that, Andrew spent six years as a Corporate Financier with Kleinwort Benson having trained and qualified as a Chartered Accountant with KPMG. Andrew is a non-executive director of Carpetright plc.

Stephen Critoph
Group Finance Director and Company Secretary

Aged 53, he was appointed as Finance Director of The Restaurant Group plc in September 2004 and Company Secretary in 2013. Previously he has held several senior finance positions in Compass Group plc and Granada Group plc, including Corporate Development Director of Compass Roadside and Finance Director of Travelodge and Little Chef. He trained and qualified as a Chartered Accountant with Deloitte & Touche.

Tony Hughes
Non-executive Director

Aged 65, he was appointed as a non-executive Director of the Company in January 2008. He was Managing Director of the Restaurants Division of Mitchells & Butlers plc (previously Bass plc and Six Continents plc) from 1995 to 2007 and served on the Board of Mitchells & Butlers plc from 2003 to 2007. Prior to joining Bass, he held senior management roles at B&Q, J.A. Devenish and Whitbread.

Simon Cloke
Non-executive Director

Aged 46, he was appointed as a non-executive Director of the Company in March 2010. Formerly Global Head of Industrials at Dresdner Kleinwort Wasserstein, he was appointed Managing Director of HSBC's Diversified Industries Group in 2005 and is currently responsible for managing HSBC's business with some of its largest house building and building materials clients.

Report of the Directors

The Directors present their Annual Report and the Group Accounts for the year ended 29 December 2013.

Results and dividends

The results for the year ended 29 December 2013 are presented under International Financial Reporting Standards ("IFRSs") as adopted by the European Union. The Report and Accounts are drawn up on a 52 week reporting basis ending on 29 December 2013 (2012: 52 week reporting basis ending on 30 December 2012). The results for the year are set out in the consolidated income statement on page 45. This shows a Group profit after tax of £56.2m (2012: £48.2m). An interim dividend of 5.25p per share was paid on 9 October 2013. The Directors propose a final dividend of 8.75p per share, which is subject to approval at the Company's Annual General Meeting to be held on 15 May 2014. Should this be approved, the final dividend will be paid on 9 July 2014, bringing the ordinary dividend per share payable in respect of 2013 to 14.0p (2012: 11.8p).

Directors

Full details of the Directors of the Company are given on the page opposite. The Directors who held office during 2013 were as follows:

Executive Directors

- Andrew Page
- Stephen Critoph
- Trish Corzine (until 15 May 2013)

Non-executive Directors

- Alan Jackson
- Tony Hughes
- Simon Cloke

Each of the non-executive Directors (excluding the Chairman) is considered by the Board to be independent. Tony Hughes held the position of senior non-executive Director. Alan Jackson moved from executive Chairman to non-executive Chairman on 1 January 2006 and given his tenure as an executive Director, is not considered to be independent as defined by the UK Corporate Governance Code ("the Code").

No Director has a service contract with the Company requiring more than twelve months' notice. Mr Page has advised the Board that he wishes to retire from his role as Chief Executive Officer of the Company on 31 August 2014.

In accordance with the Code, the Directors will be subject to re-election at the Annual General Meeting.

During the year the Audit Committee comprised the following non-executive Directors:

- Simon Cloke (Chairman)
- Tony Hughes

During the year the Remuneration Committee comprised the following non-executive Directors:

- Tony Hughes (Chairman)
- Simon Cloke

During the year the Nominations Committee comprised the following Directors:

- Tony Hughes (Chairman)
- Simon Cloke
- Alan Jackson
- Andrew Page

The Directors' remuneration report, which includes details of Directors' remuneration and interests in the Company's shares and options, together with information on service contracts, is set out on pages 25 to 35.

Directors' shareholdings

The interests of the Directors in the shares of the Company, all being beneficially owned, were as follows:

	At 26 February 2014	At 29 December 2013	At 30 December 2012
Executive Directors			
Andrew Page	490,056	490,056	681,486
Stephen Critoph	263,220	263,220	358,197
Non-executive Directors			
Alan Jackson	250,191	250,191	400,191
Tony Hughes	400,000	400,000	400,000
Simon Cloke	15,000	15,000	15,000

Details of the Directors' share options are disclosed in the Directors' remuneration report. The closing mid-market price of the ordinary shares on 29 December 2013 was 589.5p and the range during the financial year was 364.0p to 591.5p.

Share capital structure

The Company has one class of shares, ordinary shares of 28⅛p. As at 29 December 2013, the issued, called up and fully paid number of shares in issue was 200,647,143 shares. There are no preference shares or special rights pertaining to any of the shares in issue.

Following the 2013 Annual General Meeting the Directors have had the authority to allot shares up to an aggregate nominal amount of £18,777,950 which represented approximately one third of the ordinary share capital of the Company at the time the authority was given by shareholders. This authority expires at the Annual General Meeting to be held on 15 May 2014 and it will be proposed to extend this authority (updated for the current number of shares in issue) at the forthcoming Meeting. The Directors have no present intention of exercising this authority.

At the 2013 Annual General Meeting the Directors were also provided with the authority to allot shares for cash other than on a pre-emptive basis, up to an aggregate nominal amount of £2,816,692 which represented approximately 5% of the issued share capital at the time that the authority was given by shareholders. This authority also expires at the Annual General Meeting to be held on 15 May 2014 and it will be proposed to extend this authority (updated for the current number of shares in issue) at the forthcoming Meeting. The Directors have no present intention of exercising this authority.

Report of the Directors
continued

In addition, following the 2013 Annual General Meeting, the Directors have the authority to make market purchases of shares in The Restaurant Group plc on behalf of the Company up to 20,029,813 ordinary shares (which represented 10% of the Company's issued ordinary share capital at the time of the Notice of the 2013 Annual General Meeting). The minimum price that may be paid for such shares is 28⅛p per share. The maximum price is the higher of 5% above the average middle market quotation for the ordinary shares for the five business days preceding the date of purchase and the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange Daily Official List at the time the purchase is carried out.

This authority expires at the forthcoming Annual General Meeting and it will be proposed to extend this authority (updated for the current number of shares in issue) at the Meeting.

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

Substantial shareholdings

At 6 February 2014 the Company had been notified of the following interests of 3% or more in the issued ordinary share capital of the Company:

	Number of shares	% of issued share capital
Black Rock Investment Management Inc	16,631,232	8.29
Old Mutual Asset Managers	12,212,851	6.09
Legal & General Investment Management Ltd	10,052,541	5.01
M&G Investment Management Ltd	9,888,161	4.93
Standard Life	9,022,392	4.50
Aviva Investors	8,076,330	4.03
Royal London Asset Management Ltd	6,872,498	3.43
Lloyds Banking Group	6,449,251	3.21

Corporate governance

The Company is committed to high standards of corporate governance and to observing the principles of corporate governance contained in the UK Corporate Governance Code that was issued in 2010 by the Financial Reporting Council ("the Code") for which the Board is accountable to shareholders.

Statement of compliance with the UK Corporate Governance Code

Throughout the year ended 29 December 2013, the Company has been in compliance with the provisions set out in the Code except for provisions concerning the number of Directors considered to be independent, and the independence of the Chairman (who was previously executive Chairman before being appointed to the role of non-executive Chairman in January 2006). The Company currently has two non-executive Directors who are considered to be independent, which, until the retirement of Trish Corzine on 15 May 2013 was less than the 50% of the Board (excluding the Chairman) recommended by the Code. The Audit Committee and Remuneration Committee currently comprise of two non-executive Directors rather than three. The Board anticipates appointing an additional non-executive Director in 2014 which will address this (see 'Nominations Committee', below).

The size and composition of the Board is regularly reviewed to ensure that the effectiveness of the Board (and performance of the Group) remains at a high standard.

Statement about applying the principles of the Code

The Company has applied the principles set out in section 1 of the Code, including both the Main Principles and the supporting principles, by complying with the Code as reported above. Further explanation of how the Main Principles have been applied is set out below and in the Directors' remuneration report and the Audit Committee report.

The Board

The Board's role is to provide entrepreneurial leadership of the Company and Group within a framework of prudent and effective controls which enable risk to be assessed and managed. The Board reviews the Group's business model and strategic objectives and looks to ensure that the necessary financial and human resources are in place to achieve these objectives, to sustain them over the long term and to review management performance against these objectives. The Board also sets the Company's values and standards and manages the business in a manner to meet its obligations to shareholders and other stakeholders.

The Board currently comprises the non-executive Chairman, the Chief Executive Officer, the Group Finance Director and two non-executive Directors. Their biographies appear on page 16 and these demonstrate a range of experience and sufficient calibre to bring independent judgement on issues of strategy, risk management, performance, resources and standards of conduct which is vital for the success of the Group.

Tony Hughes acts as senior independent non-executive Director and is available to shareholders if they have reasons for concern on which contact through the normal channels is inappropriate or has failed to resolve an issue.

The roles of Chairman and Chief Executive Officer are clearly defined. The Chairman is responsible for the leadership and effectiveness of the Board and the Chief Executive Officer is responsible for the strategic direction and operational management of the Group. The Board meets on a regular basis and there is a formal schedule of matters specifically reserved for its consideration. This includes approval of the annual budget and the three year business plan, approval of the interim and year end Report and Accounts, review and approval of significant capital expenditure (including development of new sites), significant disposals of assets and acquisitions or disposals of businesses.

Operational management are responsible for the day-to-day running of the Group and report on a regular basis on that performance to the Board. The Board is responsible for reviewing, challenging and approving the strategic direction of the Group and monitoring operational performance. The Board is responsible to shareholders for the proper management of the Group and has access to the necessary information and training to enable it to discharge its duties.

All Directors are subject to election by shareholders at the first opportunity after their appointment, except where they are appointed by shareholders, and to annual re-election thereafter.

There is significant involvement from the non-executive Directors. This includes an ongoing dialogue with the executive Directors including constructive challenge of performance and the Group's strategy. The non-executive Directors are provided with sufficient information to allow them to monitor, assess and challenge the executive management of the Group.

Comprehensive Board papers including financial information are circulated to all Directors prior to Board meetings and, on a weekly basis, they receive up-to-date trading information. The non-executive Directors have the opportunity to meet without the executive Directors being present. Matters examined on these occasions include consideration of targets set and performance achieved by management.

All Directors have access to the advice and services of the Company Secretary and a procedure has been agreed for the Directors in the furtherance of their duties to take independent professional advice, if necessary, at the expense of the Company. On joining the Board there is a process for Directors to receive training as to their role and its requirements and for non-executive Directors to gain an understanding of the whole business. Non-executive Directors are actively encouraged to meet with operational management and to visit the Group's operations in order to enhance their understanding of the Group's business, its brands, employees and processes.

During 2013 there were eight Board meetings with full attendance by Board members. The Company acknowledges the importance of developing the skills of the Directors to run an effective Board. To assist in this, Directors are given the opportunity to attend relevant courses and seminars and to acquire skills and experience which may enhance their contribution to the ongoing progress of the Group. The performance of the Board and Board Committees are appraised annually. The process is led by the Chairman, supported by the Company Secretary and involves a comprehensive review of performance against objectives and areas for future development. The non-executive Directors also meet in the absence of the Chairman to appraise the Chairman's performance. In 2013, an externally facilitated review of Board effectiveness was carried out by Independent Audit Ltd ("IAL"). IAL has no other connection with the Company. The review examined the keys functions of the Board and the effective discharge of its responsibilities. The results were analysed by IAL and their report has been discussed in detail with the Chairman and the Board. The review concluded that no significant changes or improvements were required.

Communications with shareholders

Communications with shareholders are given high priority. The Chairman's statement, Chief Executive Officer's review of operations and Group Finance Director's report include a detailed review of the business and the Chief Executive Officer's review of operations includes a review of planned future developments. There is a regular dialogue with institutional investors including presentations after the Company's announcement of the year end results, and at the half year. Feedback from major institutional shareholders is provided to the Board on a regular basis and, where appropriate, the Board will take steps to address their concerns and recommendations.

The Board uses the Annual General Meeting to communicate with private and institutional investors and welcomes their participation. The Chairman aims to ensure that the chairmen of the Audit Committee, Remuneration Committee and Nominations Committee are available at the Annual General Meeting to answer questions, and for all Directors to attend.

Remuneration Committee

The Remuneration Committee consists of two independent non-executive Directors. There are written terms of reference for the Remuneration Committee. There was 100% attendance at the two Remuneration Committee meetings held during 2013. The role of this Committee and details of how the Company complies with the principles of the Code are set out in the Directors' remuneration report.

Nominations Committee

The Nominations Committee consists of the independent non-executive Directors, the non-executive Chairman and the Chief Executive Officer. It met once during 2013 with full attendance at the meeting. There are written terms of reference for the Nominations Committee. It is responsible for making recommendations to the Board for the appointment or replacement of additional Directors and ensuring there is an appropriate balance and diversity of skills, experience, knowledge and independence both now and in the future.

The Nominations Committee is tasked with regularly (at least annually) reviewing the composition of the Board to ensure it remains effective and comprises a suitable range of skills, backgrounds and experience. In 2013 the Nominations Committee concluded that an additional non-executive Director should be appointed. Spencer Stuart, an independent executive search consultancy (and a signatory of the Voluntary Code of Conduct), has been appointed to identify suitable candidates. The Company anticipates announcing an appointment during 2014.

The Committee is also responsible for succession planning for the Group. In 2013, it oversaw the appointment of the Deputy Managing Director of the Concessions Division to the role of Managing Director, Concessions, following Trish Corzine's retirement from this position. The Committee's work on succession planning was a significant factor in the smooth transition of personnel in this key role within the Group.

The Board acknowledges the importance of diversity and promoting equal opportunities throughout the Group. The Nominations Committee will continue to have regard to the recommendations of the "Women on Boards" report from Lord Davies published in February 2011 in its deliberations on future appointments.

Audit Committee

The Audit Committee consists of two non-executive Directors. During the year the Committee was chaired by Simon Cloke. There are written terms of reference for the Audit Committee. The Audit Committee met twice during 2013 with full attendance at each meeting. A more detailed

Report of the Directors
continued

description of the work undertaken by the Audit Committee is included in the Audit Committee report on pages 36 and 37. Shareholders of the Company have the opportunity to re-appoint Deloitte LLP as external auditor of the Company at the Annual General Meeting to be held on 15 May 2014.

Internal control
The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. In accordance with guidance for Directors "Internal Control: Guidance for Directors on the Combined Code" (the "Turnbull Guidance"), the Board has ensured that there is an ongoing process for reviewing the effectiveness of the system of internal control including identifying, evaluating and managing the significant risks faced by the Group. This process, which is regularly reviewed by the Board, is carried out in conjunction with business planning and is documented in a risk register that has been progressively enhanced during the financial year and up to the date of approval of the Annual Report and Accounts.

Whilst acknowledging its overall responsibility for the system of internal control, the Board is aware that the system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Group has well-established procedures which have been developed over many years which meet the requirements of the Turnbull Guidance. A key control procedure is the day-to-day involvement of executive members of the Board in all aspects of the business and their attendance at regular management meetings at which performance against plan and business prospects are reviewed. The Group has a monthly executive management meeting where the executive Directors, senior operational managers and heads of functional departments review Group performance and issues affecting the Group. Additionally, the Board seeks to continually strengthen the internal control system where this is consistent with an appropriate balance between risk and reward.

Other key features and the processes for reviewing effectiveness of the internal control system are described below:

- terms of reference for the Board and its sub-committees, including a schedule of matters reserved for the Board and an agreed annual programme of fixed agenda items for Board approval;
- an established organisational structure with clear lines of responsibility and rigorous reporting requirements;
- operational performance and operational matters are considered at monthly meetings of the executive Directors with senior management. Financial performance is monitored and action taken through weekly reporting to the executive Directors and monthly reporting to the Board against annual budgets approved by the Board;
- capital investment is regulated by a budgetary process and authorisation levels, with appraisals and post investment reviews;
- comprehensive policy manuals setting out agreed standards and control procedures. These include human resources related policies, information technology and health and safety. The Group employs a firm of external auditors to monitor restaurants on a regular basis for compliance with statutory and internal health and safety requirements; and
- an internal audit function headed by an experienced internal auditor has access to all areas of the Company and Group's business and reports into the Board.

Statement of Directors' responsibilities in relation to the accounts
The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. The Board considers that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and Article 4 of the IAS Regulation and have chosen to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- 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 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

In preparing the parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Information provided to the auditor

Each of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any relevant information needed by the Company's auditor for the purpose of their audit and to establish that the auditor is aware of that information. The Directors are not aware of any relevant information of which the auditor is unaware. This information is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Going concern

The Group Finance Director's report contains a summary of the cash flows and borrowing position of the Group. The Group is highly cash generative and enjoys negative working capital as, given the nature of the business, it generally does not give credit to its customers.

Further information on the Group's policies for capital risk management and financial risk management are set out below. The principal risk factors and uncertainties that could affect the business are detailed in the Strategic Report.

Based on the Group's plans for 2014 and after making enquiries (including preparation of reasonable trading forecasts, consideration of current financing arrangements and current headroom for liquidity and covenant compliance), the Directors have a reasonable expectation that the Group has adequate resources to continue operations for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

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, reserves and retained earnings), debt, finance leases 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 has a £140m revolving facility in place until October 2016 and a £10m overdraft facility. Under the terms of the £140m revolving facility the Group is required to comply with its financing covenants whereby net interest charges must be covered at least four times by EBITDA and net debt must not exceed three times EBITDA. The margin (on interest rates) applied to the revolving facility is dependent on the ratio of net debt to EBITDA. The banking facility covenants are tested twice annually and are monitored on a regular basis. The Group remained within its banking facility covenant limits throughout 2013.

Financial risk management

The Board of The Restaurant Group plc regularly reviews the financial requirements of the Group and the risks associated therewith. The Group does not use complex financial instruments, and where financial instruments are used it is for reducing interest rate risk. The Group does not use derivative financial instruments for trading purposes. Group operations are primarily financed from retained earnings and bank borrowings (including an overdraft facility).

In addition to the primary financial instruments, the Group also has other financial instruments such as debtors, prepayments, trade creditors and accruals that arise directly from the Group's operations. Further information is provided in note 22 to the accounts.

The average rate of interest charged during the year on the Group's debt was 2.74% (2012: 2.64%), and the average year end rate was 1.74% (2012: 1.75%). On 2013 results, net interest was covered 33.6 times (2012: 35.4 times) by profit before tax, interest and non-trading items. Based on year end debt and profits for 2013, a 1% rise in interest rates would reduce profits before tax and non-trading items by 0.7% (2012: 0.8%) and interest cover would reduce to 27.4 times (2012: 28.0 times).

At 29 December 2013 the Group had gross borrowings attracting interest (including overdraft) of £50.0m (2012: £50.0m) and cash balances of £7.3m (2012: £12.9m).

Annual General Meeting

A separate Circular is included with the mailing of the Annual Report to shareholders setting out the resolutions to be voted on at the Annual General Meeting, which is to take place at 11am on 15 May 2014 at the offices of Instinctif Partners, 65 Gresham Street, London, EC2V 7NQ.

The Board believes that the proposed resolutions to be put to the shareholders at the Annual General Meeting are in the best interests of shareholders and, accordingly, recommends that shareholders vote in favour of the resolutions, as the Directors intend to do in respect of their own beneficial shareholdings in the Company.

Auditor

Deloitte LLP have expressed their willingness to continue as auditor and a resolution will be proposed at the Annual General Meeting for their reappointment.

Directors' responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the International Financial Reporting Standards ("IFRSs") as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Stephen Critoph
Company Secretary
26 February 2014

Corporate responsibility report

The Restaurant Group plc ("TRG" or "the Group") acknowledges that it has a significant role to play in the communities and wider environment in which it operates.

This statement sets out the principal areas of focus and activity that the Group has undertaken to date:

- Our market – the area of business that our strategy is focused on.
- Our people – the Group's policies and actions towards our employees.
- Our communities – how TRG interacts with those communities from which our customers and employees are drawn.
- Our environment – the impact of TRG on the wider environment, and how we are seeking to reduce this.
- Our shareholders – those that have invested capital in the development of The Restaurant Group plc, and to whom the Directors and management of the Group are accountable.

Our market

The Restaurant Group plc has focused its attention on markets in the United Kingdom which have significant growth potential. For a number of years, dining out has been a growing market, and, partially as a result of this, there has been an increased focus from customers and regulatory authorities on health issues relating to our sector. We have seen initiatives on alcohol, food (in particular on calorie consumption, sugar and salt content) and smoking over recent years and these are set to continue to be a focus.

It is important that the Group continues to monitor closely these developments and ensure that we offer our customers a broad range of choices in our restaurants, including healthy options.

Healthy eating

In 2011, The Restaurant Group became a partner of the Public Health Responsibility Deal ("the Responsibility Deal"), launched by the Department of Health. The Responsibility Deal has been established to tap into the potential for businesses and other organisations to improve public health through their influence over food, alcohol, physical activity and health in the workplace.

TRG is currently committed to three pledges within the Responsibility Deal:

- We have removed all added trans fats from our products;
- We will use our local presence to encourage children and adults to become more active;
- We commit to ensuring effective action is taken in all premises to reduce and prevent under-age sales of alcohol (primarily through rigorous application of Challenge 21 and Challenge 25).

Being a Responsibility Deal partner means that TRG is required to monitor and provide regular updates to the Department of Health with regard to the actions we are taking to fulfil our commitments within the pledge.

Healthy eating is a personal responsibility but TRG acknowledges that as a provider of food and drink we have a role to play in providing appropriate options from which individuals may choose when they eat out. TRG strongly believes that we should offer our guests choices on the menu. Whilst we do not wish to be prescriptive we aim to provide a healthy choice at each menu point, alongside more indulgent options. For many people dining out is a treat, and therefore the normal restrictions which may be applied to healthy eating on a day-to-day basis may be waived in favour of enjoyment and experience.

Nutrition and allergens

In 2013 TRG began publishing full nutritional breakdown of all dishes on its core brand menus online, within our brand websites. The information published is in accordance with EU guidelines and is regularly updated.

In October 2013 Frankie & Benny's launched a Non-Gluten Containing Ingredients Menu, to cater for consumers with a gluten allergy or intolerance. This menu has now been fully endorsed by Coeliac UK.

Other initiatives

TRG is a member of the Supplier Ethical Data Exchange ("SEDEX"), which facilitates measurement and improvement in ethical business practices across the supply chain; 164 of our food and non-food suppliers provide information describing their procedures and practices to the Group via SEDEX.

As in previous years, there continue to be no known genetically modified foods in any product the Group uses and new suppliers are required to confirm that they will not provide the Group with such products. We have also removed the "Southampton Institute" colourings that can cause hyperactivity in children from all TRG branded products.

Drink aware

All our restaurants operate a "Challenge 21" policy, whereby we will ask for proof of identification to anyone who appears to be under 21. We also participate in the "Challenge 25" policy in Scotland. We also do not permit the sale of alcohol to under 18's, even if the alcohol is for consumption with a meal. All of our restaurants offer a wide range of non-alcoholic drinks including fruit juices, carbonates, minerals and non-alcoholic cocktails and tap water is available for customers free of charge.

Our people

The most important asset any company can have is its people. At The Restaurant Group plc we strive to nurture our individuals to build great teams. Anyone has the potential to develop within our Company and we endeavour to give them the tools and knowledge to encourage this. This is the key to any successful business and our team is one of which we are especially proud.

Our "Managers in Training" scheme continues to identify and develop talent. We continue to implement leadership programmes to assist in the identification and development of our future managers and we are also expanding our commitment to apprentice programmes with the aim of creating a clear path for an apprentice to join TRG and progress in to management positions.

Such schemes are a key feature of the Group's succession planning strategy and are therefore designed to equip managers with the skills they need to develop their careers at the next level and to ensure TRG remains their employer of choice over the long-term.

We employ over 12,000 people and continue to increase this number as we expand our business. The Group opened a further 35 restaurants during 2013 and created over 1,000 jobs for local communities in the process. Our policies ensure that we offer equal rights regardless of age, colour, gender, sexual orientation, disability or religion and the diversity of our people reflects the diversity of the customers we serve.

This gives us a group of employees able to meet the challenges our market presents. We have a fair and open recruitment process with clear terms of employment and we have enhanced our careers website (www.therestaurantgroup.jobs) to allow easy access to available jobs for potential employees across our Group, and to strengthen our employer brand identity. All staff are provided with a contract of employment and copies of our staff handbook along with other policy documents to ensure everyone is aware of our rules, expectations and procedures, including grievance and disciplinary issues. The Group has an ethical dealings policy in place which incorporates a strict prohibition on bribery and corruption in compliance with the Bribery Act 2010.

The Group also has a defined termination policy, should this be required. Our focus on ensuring the recruitment of our teams complies with current legislation continues. With the UK Border Agency instigating regular visits to employers to check the validity of our employees' rights to work in the UK we have instigated robust measures to prevent the possibility of TRG contravening the rules.

The Restaurant Group plc pays all of its employees at least the national minimum wage and does not utilise tips in any form to make up this rate. All gratuities are paid to the employees, with credit card tips attracting only the usual tax deductions but, unlike some of our competitors, no administration fee is taken by the Company.

The Group allocates considerable resources to provide high quality training to our teams. Training begins on the first day and is an on-going process of development and support. Our training team is fully qualified and delivers high quality courses, as well as guiding new and established team members throughout their development.

With our portfolio of sites it is vital that our communication is of a very high standard. Branch staff are given regular team briefings and regular communications packs are issued from head office to each brand. Our senior managers are out in the business extensively and interact daily with their branch management and team members to ensure full two-way communication is present throughout the business.

The health and safety of our customers and employees is of paramount importance. The Group has extensive procedures to ensure we mitigate risks to our guests and teams as far as possible. We have very clear procedures and standards in place, and to enforce these we employ external auditors to perform a rolling programme of independent safety audits and carry out benchmarking of our restaurants. We have invested significant time and resources in health and safety matters across the Group in recent years to further enhance the clean, safe environment for our customers and staff.

Our communities

Active involvement in the local communities around our restaurants and pub restaurants is important to the Group and TRG supports staff fundraising activities at a brand and local level.

During 2013 we engaged in a number of local and national charitable events:

CHAS

In Scotland, the nominated charity is CHAS, Children's Hospice Association Scotland, who provide the only hospice services in Scotland for children and young people who have life-shortening conditions for which there is no known cure. £173,000 was raised in 2013 through a range of activity including regular charity breakfasts and family fundraising events. We worked in conjunction with Real Radio Scotland to deliver the most success annual CHAS Easter Bash to date, and 2013 saw the first ever CHAS Christmas Bash, which made a significant contribution to the total raised.

Caudwell Children's Charity

During 2012, Frankie & Benny's were made aware that the daughter of one of our employees suffers from cerebral palsy. The family were going to great lengths to raise the money for five year old Susanna to have an operation in the United States that would enable her to walk unaided. A weekend of fundraising, including a donation by the company of almost £70,000 saw Frankie & Benny's raise over £144,000; more than double the amount required for Susanna's operation. The remaining funds were donated to Caudwell Children's Charity to help assist other children in a similar situation to Susanna. Susanna had her operation in Missouri in late October 2012 and is recovering well. She took her first steps unaided just one day after surgery.

The funds raised from the *Help Susanna Walk* appeal went on to help an additional 34 children. The response was overwhelming and we are proud of the huge collective effort that has made such a difference to so many young children and are looking at more ways in which Frankie & Benny's can continue to support Caudwell in 2014.

BBC Children in Need

Each year we also support BBC Children in Need and in 2013 we raised over £80,000 following fundraising activity over Halloween, the October half term and the evening of the live Telethon. In the years we have been fundraising, Frankie & Benny's have raised over £400,000 to support the appeal.

£25,000 was raised in 2013 for BBC Children in Need during our 'Penny in a Pint' campaign, during which 1p from each pint sold was donated to the appeal. The small things really do add up to make a big difference!

Corporate responsibility report
continued

Charity breakfasts and local charity events
In addition to the large fundraising drives above there are many other charities that have benefitted from our support this year. We regularly host charity breakfasts whereby we offer free breakfasts in return for a donation to local charities including Debra, Zoe's Place and Rainbow Trust, most notably raising £65,000 through family fun weekends in March and May, as well as a sponsored sports challenge. Coast to Coast regularly raise funds for Teenage Cancer Trust as well as other local charities at VIP restaurant launch events throughout the year.

Junior sports team sponsorship
Frankie & Benny's have a long history of sponsoring local junior sports. During 2013, we have sponsored a total of 205 junior teams across the country playing football, rugby, hockey, swimming, gymnastics, netball and much more. Not only do we provide kits for the teams, but we also take an active role during the season, attending tournaments and inviting them to enjoy end of season celebration dinners at Frankie & Benny's.

Schools visit programme
The Frankie & Benny's schools visit programme has been in place for more than five years now and continues to grow in popularity with over 1,400 visits taking place in 2013. Schoolchildren, accompanied by their teachers, are given the opportunity to visit our restaurants to bring curriculum based subjects such as maths, science and food hygiene to life. The children are also able to make their own pizzas by choosing their toppings. Whilst we leave the cooking to the chefs, school children are given an educational activity book to complete – a pack that has been designed by educational experts.

Our environment
2013 has seen further work in pursuit of the Group's commitment to minimising its impact on the environment. Not only are the attitudes and expectations of our customers changing over time but we recognise that the Group's activities impact the natural environment, most significantly with regard to energy consumption (and carbon emissions), water consumption and the creation and removal of waste.

2013 saw the Group successfully trial Voltage Optimisation equipment and commit to invest further in this area during 2014. Whilst not appropriate for all sites, it is expected that Voltage Optimisation will result in meaningful reductions in energy consumption.

The Group has also discontinued the use of helium filled balloons in our estate. Helium is a finite resource used extensively in medical research.

TRG is proud to have achieved and maintained the Carbon Saver Gold Standard in January 2012 in recognition of the Group's sustained reductions in energy. Through on-going investment in energy efficient equipment, energy control systems and the active involvement of our staff we have set a reduction target of 2.5% a year for five years to further reduce carbon dioxide emissions and minimise our impact on the environment.

Emissions data in respect of the 2013 reporting period, on the financial control reporting basis, is as follows:

Emission Type	CO_2e tonnes (Carbon Dioxide Equivalent)
Scope 1: Operation of Facilities	4,046
Scope 1: Combustion	17,397
TOTAL Scope 1 Emissions	21,443
Scope 2: Purchased Energy	53,788
TOTAL Scope 2 Emissions	53,788
Total Emissions	75,231

Greenhouse Gas Emissions Intensity Ratio:	
Total Footprint (Scope 1 and Scope 2) – CO_2e	75,231
Turnover (£)	579.6m
Intensity Ratio (tCO_2e/£1,000)	0.130

Notes:
- Our methodology has been based on the principals of the Greenhouse Gas Protocol.
- We have reported on all the measured emissions sources required under The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. This includes emissions under Scope 1 and 2 but excludes any emissions from Scope 3.
- Conversion factors for electricity, gas and other emissions are those published by the Department for Environment, Food and Rural Affairs in 2013.
- Refrigerant fugitive emissions from our pub estate are not currently included due to absence of data.

We continue to promote our energy saving campaign to all restaurants. Through the timely supply of accurate reporting, operation managers have the information they need to allow them to monitor and reduce energy consumption levels.

The Group also seeks to improve the energy efficiency of the fabric of its estate. New restaurant fit-out specifications now include heat recovery systems, energy saving lighting, low energy hand dryers and increased insulation.
We continue to review the energy performance of all sites with a view to further improving our energy efficiency.

Our shareholders
The Group has had a clear strategy since 2001 – to deliver value for shareholders by focusing on sectors within the eating out market that offer high barriers to entry, where we can generate sustainable and growing cash flows and which offer high returns on investment. This has led the Group to focus investment in edge and out of town leisure locations, rural and semi-rural pubs and our Concessions business, which operates principally on airports. The Group has maintained a progressive dividend policy and has a strong track record of growing profits and dividends for shareholders. The Chairman's statement, Chief Executive Officer's review of operations and Group Finance Director's report provide further detail on the Group's strategy, performance during 2013 and prospects for the Group.

Directors' remuneration report

Annual statement

Dear Shareholder,

I am pleased to introduce our Directors' remuneration report for the year ended 29 December 2013. This report complies with the new reporting regulations published by the Department for Business, Innovation & Skills during 2013 and will be subject to two shareholder votes at the forthcoming Annual General Meeting ("AGM"):

- the Directors' remuneration policy report sets out the Directors' remuneration policy for the Company from the date of the AGM in May 2014 and will be subject to a binding shareholder vote; and
- the annual report on remuneration provides details of the remuneration earned by Directors in the year ended 29 December 2013 and how the policy will be implemented for the year ending 28 December 2014 and will be subject to an advisory shareholder vote.

Remuneration outcomes in 2013

For the year under review, and reflecting the excellent financial performance of the Group, bonus was paid out at, or very close to, 100% of potential maximum for each of the executive Directors as detailed in the annual report on remuneration. The 2011 Long-Term Incentive Plan ("LTIP"), which vests in March 2014 based on performance over the three year period up to and including 2013, will vest 100% in respect of the total shareholder return ("TSR") element and 88% in respect of earnings per share ("EPS") performance.

Remuneration policy for 2014

The Remuneration Committee continually reviews the executive remuneration policy to ensure it promotes the attraction, retention and incentivisation of high calibre executives to deliver the Group's strategy.

The Remuneration Committee believes that the existing remuneration policy remains fit for purpose and, as such, no changes to the policy have been made for 2014. Specifically:

- basic salary remains appropriately positioned against the market. A 2% increase to basic salary was awarded to executive Directors with effect from 1 January 2014;
- the structure of the annual bonus remains appropriate to incentivise the delivery of annual objectives. The maximum bonus opportunity for 2014 will therefore remain at 165% of salary for the Chief Executive Officer and 137.5% of salary for the Group Finance Director; and
- the long-term incentive policy continues to act as an effective mechanism to reward long-term internal and external growth and provides alignment between executives and shareholders. Awards to be granted in 2014 under the LTIP scheme will therefore continue to be based on stretching EPS and relative TSR targets.

I hope that you will be supportive of the two resolutions to approve the Directors' remuneration report at this year's AGM.

Yours sincerely,

Tony Hughes
Chairman of the Remuneration Committee

Directors' remuneration policy report

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 cash flows.

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 Long-Term Incentive Plan ("LTIP") 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.

Consideration of shareholders' views

The Remuneration Committee considers feedback from shareholders received at each AGM and any feedback from additional meetings as part of any review of executive remuneration. In addition, the Remuneration Committee engages pro-actively with shareholders and ensures that shareholders are consulted in advance where any material changes to the remuneration policy are proposed.

Consideration of employment conditions elsewhere in the Group

In determining the remuneration of the Group's 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 are taken for the rest of the workforce.

Key elements of the remuneration policy for Directors

Set out overleaf is a summary of the main elements of the remuneration policy for executive Directors and non-executive Directors, together with further information on how these aspects of remuneration operate. This policy will be operated from the date of the AGM in May 2014.

Directors' remuneration report
continued

	Purpose and link to strategy	Operation	Opportunity	Performance metrics
Basic salary	Attract and retain key personnel. Reflects individual responsibilities, skills and achievement of objectives.	Reviewed annually from 1 January or when an individual changes position or responsibility. Increases based on role, experience, performance and consideration of the broader workforce pay review and competitor pay levels.	No prescribed maximum annual increase. The Committee is guided by the general increase for the broader UK employee population but on occasions may need to recognise, for example, an increase in the scale, scope or responsibility of the role. Current salary levels are disclosed on page 29.	None
Benefits	To provide market consistent benefits.	Contractual entitlement. Benefits packages typically comprise a car (or car allowance), health insurance, and life assurance although other benefits may be provided where appropriate.	No maximum limit. For benefit values for the year under review, see page 30.	None
Pension	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).	20% of basic salary for the executive Directors.	None
Annual bonus	Rewards the achievement of annual financial targets and other key performance indicators, depending on job responsibilities.	Targets renewed annually as part of the budgeting process and relate to areas of the business which the executive has particular control as well as Group performance. Bonus level is determined by the Committee after the year end based on performance conditions drawn up before the financial year commences. In respect of any bonus in excess of 100% of salary, within three months of payment of bonus the executive must invest any such excess, net of tax, in shares (or retain shares vested under the LTIP to an equivalent value) which must be held for not less than three years ("deferred bonus shares") or until the executive ceases full time employment, there is a change of control of the Company or other appropriate circumstances. Not pensionable. A claw back mechanism operates.	Maximum of 165% of basic salary.	Normally based on a one year performance period. Majority of the bonus opportunity will be based on Group profit before tax.

	Purpose and link to strategy	Operation	Opportunity	Performance metrics
LTIP	Promotes achievement of long-term strategic objectives of increasing shareholder value and delivering sustainable and expanding cashflows.	Annual grant of Conditional and Matching awards in the form of nil cost options under 2005 Plan. Matching awards may be granted, pro-rata to the number of deferred bonus shares held, over shares worth up to 50% of salary p.a.. Conditional and Matching Awards vest three years after grant subject to performance conditions and continued employment. Dividend equivalents may be payable. A claw back mechanism operates.	Maximum of 200% of base salary. (150% Conditional Award, 50% Matching Award).	Normally based on a three year performance period. TSR vs comparator group. Financial metrics (e.g. EPS). 30% of an award vests at threshold performance increasing to full vesting at maximum performance.
Save As You Earn Scheme ('SAYE')	Encourage employee share ownership and therefore increase alignment with shareholders.	HMRC 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. Provides tax advantages to UK employees.	Prevailing HMRC limits.	None
Shareholding guidelines	Increase alignment with shareholders.	Requirement to retain no fewer than 50% of the net of tax shares vesting under an LTIP award until the required shareholding is achieved.	200% of basic salary for the Chief Executive Officer and 150% of basic salary for the Group Finance Director.	None
Non-executive Directors' fees	Reflects fees paid by similarly sized companies. Reflects time commitments and responsibilities of each role.	Fees are reviewed annually. Fees paid in cash.	As per executive Directors, there is no prescribed maximum annual increase. The Committee is guided by the general increase in the non-executive director market and for the broader UK employee population but on occasions may need to recognise, for example, an increase in the scale, scope or responsibility of the role.	None

Directors' remuneration report
continued

The combination of EPS and TSR performance conditions for the LTIP provides a balance between rewarding management for growth in sustainable profitability and stock market outperformance. TSR is a clear indicator of the relative success of the Group in delivering shareholder value and, as a performance measure, firmly aligns the interests of Directors and shareholders. The EPS target range will require growth from the current all-time high level of profitability and the TSR condition will be based from a strong recent share price performance. Performance against the TSR and EPS targets will be independently calculated and reviewed by the Committee.

The Committee operates share plans in accordance with their respective rules and in accordance with the Listing Rules and HMRC where relevant. The Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of certain plans.

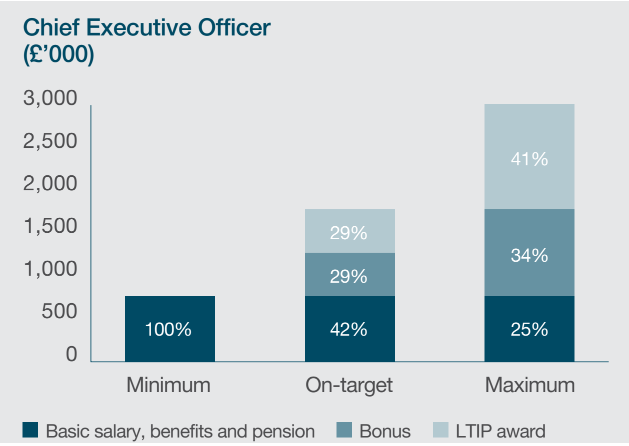
There are no material differences in the structure of remuneration arrangements for the executive Directors and senior management population, aside from quantum, performance metrics and participation rates in incentive schemes, which reflect the fact that a greater emphasis is placed on performance-related pay for executive Directors and the most senior individuals in the management team. Outside of the senior management team, the Company aims to provide remuneration structures for employees which reflect market norms.

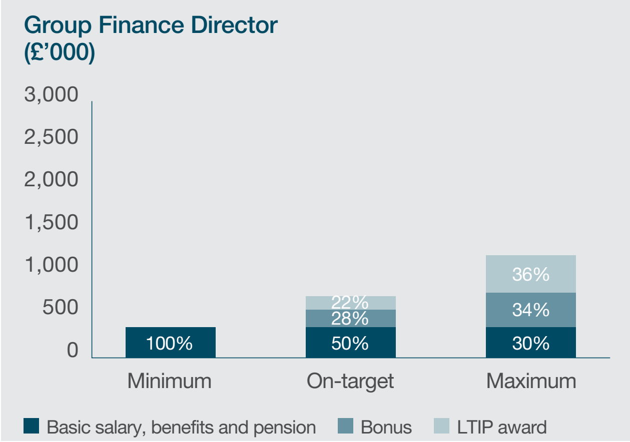
For avoidance of doubt, in approving this Directors' remuneration policy report, authority is given to the Company to honour any commitments entered into with current or former Directors. Details of any payments to former Directors will be set out in the annual report on remuneration as they arise.

Illustration of application of remuneration policy

The balance of the potential remuneration package available for executive Directors is weighted towards variable pay elements, which have stretching performance targets attached to them. The chart below shows the value of the executive Directors' packages under three performance scenarios, minimum, on-target and maximum:

Value of remuneration packages at different levels of performance





Notes:
1. Salary levels are based on those applying from 1 January 2014.
2. The value of benefits receivable in 2014 is taken to be the value of benefits received in 2013 and pension is based on 20% of salary.
3. The on-target level of bonus is taken to be 50% of the maximum bonus opportunity (165% of salary for the Chief Executive Officer and 137.5% of salary for the Group Finance Director).
4. The on-target level of vesting under the LTIP is taken to be 55% of the face value of the award at grant (a Conditional Award of 150% of salary for the Chief Executive Officer and 100% of salary for the Group Finance Director). As Matching Awards are only granted to match any deferred bonus shares (which normally operates for any bonus outturn in excess of 100% of salary), we have only assumed Matching Awards are granted under the maximum performance scenario in the chart above.
5. The maximum value of the LTIP is taken to be 100% of the face value of the award at grant (200% of salary for the Chief Executive Officer and 150% of salary for the Group Finance Director).
6. No share price appreciation has been assumed for the deferred bonus shares and LTIP awards.

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. The annual bonus potential would be limited to 165% of salary and grants under the LTIP would be limited to 200% of salary (150% Conditional Award, 50% Matching Award). 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.

If appropriate, the Committee may agree, on the recruitment of a new executive, a notice period in excess of 12 months but reduce this to 12 months over a specified period.

Service contracts and payments for loss of office

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 one 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, benefits and pension, 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.

In respect of legacy contracts for the Chief Executive Officer (dated 28 August 2002) and the Group Finance Director (dated 7 July 2004), in the event of early termination by the Company, the Directors' contracts provide for compensation in line with their contractual notice period. Under the Chief Executive Officer's contract, the Company shall make a payment in lieu of notice equivalent to base salary, benefits, pension and annual bonus. Further, during a period of up to six months following a change of control, the individual may resign and receive such a payment. Under the Group Finance Director's contract, the Company shall make a payment in lieu of notice equivalent to base salary, benefits, pension and annual bonus. Further, during a period of up to three months following a change of control, the individual may resign and receive such a payment. The Committee is aware that there are a number of areas of the current contracts which, while considered appropriate and necessary at the time they were put in place, no longer comply with best practice and therefore will not be repeated in respect of any new executive Director appointments.

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 payout 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. The default treatment under the LTIP is that any outstanding awards 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. For good leavers, awards will normally vest on their normal vesting date, subject to the satisfaction of the relevant performance conditions at that time and reduced pro-rata to reflect the proportion of the performance period actually served. However, the Remuneration Committee has discretion to determine that awards vest at cessation and/or to disapply time pro-rating.

Non-executive Directors

Letters of appointment for the non-executive Directors were each set for an initial three year period (thereafter renewable for periods of three years). They are required to submit themselves for re-election every year. The Chairman has a notice period of a year and the non-executive Directors are appointed under arrangements that may generally be terminated at will by either party without compensation.

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

Annual report on remuneration

Implementation of the remuneration policy for the year ending 28 December 2014

The Remuneration Committee awarded the executive Directors a 2% basic salary increase in December 2013, with effect from 1 January 2014:

Basic salary	2013 £	2014 £	Increase
Andrew Page	602,000	615,000	2%
Stephen Critoph	283,500	290,000	2%

The average increase for managerial and administrative employees across the Group was 3% for the 2014 pay review.

Performance targets for the annual bonus in 2014

For 2014, the annual bonus will continue to be based primarily against Group financial measures. The Committee has chosen not to disclose, in advance, the performance targets for the forthcoming year as these include items which the Committee considers commercially sensitive. Retrospective information will be presented in a subsequent remuneration report when the Directors are comfortable that the information is no longer commercially sensitive.

The maximum bonus potential will continue to be 165% and 137.5% of salary for the Chief Executive Officer and Group Finance Director respectively.

Performance targets for LTIP awards to be granted in 2014

Consistent with previous years, Conditional and Matching Awards will be subject to the following targets:

- TSR element (50%) – the Company's TSR vs the FTSE 350 Travel and Leisure sector (excluding airlines). 30% of this element of the award vests for a median ranking, increasing to full vesting for an upper quartile ranking; and
- EPS element (50%) – growth in the Company's EPS in excess of inflation. 30% of this element of the award vests for growth equal to RPI + 4% p.a., increasing to full vesting for growth equal to or in excess of RPI + 10% p.a..

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 similar companies and reflects the time commitment and responsibilities of each role. A summary of current fees is as follows:

	2013	2014	% increase
Chairman	£315,000	£321,500	2%
Other non-executive Directors	£52,500	£53,500	2%

Overview
Strategic report
Governance
Financial statements

Directors' remuneration report
continued

Remuneration received by Directors (audited)

The table below sets out the remuneration received by the Directors in relation to performance in the years ended 29 December 2013 and 30 December 2012 (or for performance periods ending in 2013 and 2012 in respect of long-term incentives).

						Long–Term Incentive Plan[5]				
£'000	Salary & fees	Taxable benefits[1]	Pension[2]	Annual bonus[3]	SAYE vesting[4]	Value of vesting Award at grant	Increase in value due to rise in share price	Dividend equivalent	Value of Award	**Total**
Executive Directors										
Andrew Page										
2013	**602**	**27**	**120**	**993**	**–**	**1,042**	**933**	**123**	**2,098**	**3,840**
2012	590	27	118	974	–	623	647	91	1,361	3,070
Stephen Critoph										
2013	**284**	**13**	**56**	**378**	**16**	**376**	**338**	**44**	**758**	**1,505**
2012	278	14	56	358	–	279	290	41	610	1,316
Trish Corzine (retired on 15 May 2013)										
2013	**94**	**4**	**9**	**103**	**–**	**330**	**296**	**39**	**665**	**875**
2012	248	12	25	252	–	268	278	39	585	1,122
Non-executive Directors										
Alan Jackson										
2013	**315**	**47**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**362**
2012	309	46	–	–	–	–	–	–	–	355
Tony Hughes										
2013	**53**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**53**
2012	52	1	–	–	–	–	–	–	–	53
Simon Cloke										
2013	**53**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**53**
2012	52	–	–	–	–	–	–	–	–	52

1 Benefits comprise car allowance, health care and life assurance.
2 This comprises contributions to the Directors' personal pensions plans of 18% of salary for Stephen Critoph and 10% of salary for Trish Corzine and cash salary supplements of 20% of salary for Andrew Page and 2% of salary for Stephen Critoph.
3 This relates to the payment of the annual bonus for the year ended 29 December 2013 and 30 December 2012. Further details of the payment in respect of 2013 are set out below.
4 This relates to the vesting of SAYE awards (the gain at vesting was £16,498 based on the 1 June 2013 share price).
5 This relates to the vesting of the 2011 LTIP Conditional and Matching Awards (where the performance period ended on 29 December 2013) and the 2010 LTIP Conditional and Matching Awards (where the performance period ended on 30 December 2012). Further details of the values attributed to the 2011 LTIP awards are set out on page 31.

Annual bonus payments (audited)

The annual bonus for the year under review for the Chief Executive Officer and Group Finance Director was primarily based on profit before tax performance. The structure of the targets and the actual performance against the targets was as follows:

23% of maximum potential bonus was payable for achieving target profit before tax ("PBT"), increasing to 100% for achieving 108% of target PBT. The actual result exceeded 108% of target PBT.

The bonus for the Executive Director, Concessions was based on a combination of Group and divisional profit targets with an element based on the achievement on non-financial measures.

Targets have not been disclosed on the grounds of commercial sensitivity although the target PBT will be disclosed in a subsequent remuneration report when the Directors are comfortable that the information is no longer commercially sensitive.

Vesting of LTIP Awards in year under review (audited)

The LTIP award granted on 16 March 2011 was based on a three year performance period ended 29 December 2013. As disclosed in previous annual reports, the performance condition for this award was as follows:

Metric	Performance Condition	Threshold Target	Stretch Target	Actual	% Vesting
Earnings per share (50% for Conditional Award; 100% for Matching Award)	EPS growth of RPI + 4% p.a. (15% vesting) to RPI + 10% p.a. (50% vesting) over three financial years.	24.62p	28.74p	28.02p	44% (max 50% for Conditional Awards) 88% (max 100% for Matching Awards)
Total shareholder return (50% for Conditional Award)	TSR against the constituents of the FTSE 350 Travel and Leisure sector (excluding airlines). 15% vesting for median performance and 50% vesting for upper quartile performance. TSR measured over three financial years with a three month average at the start and end of the performance period.	60.3% (Median)	100.8% (Upper Quartile)	120.1%	50% (max 50%)
		Total vesting for Conditional Award			94%
		Total vesting for Matching Award			88%

The award details for the executive Directors are therefore as follows:

Executive	Type of award	Number of shares at grant	Number of shares to lapse	Number of shares to vest	Cash value of dividends on shares to vest[1]	Estimated value[2] (£'000)
Andrew Page	Conditional Award	284,790	16,661	268,129	93,872	1,599
	Matching Award	94,930	11,107	83,823	29,346	499
Stephen Critoph	Conditional Award	91,867	5,375	86,492	30,281	516
	Matching Award	45,933	5,375	40,558	14,199	242
Trish Corzine	Conditional Award	81,660	4,778	76,882	26,916	459
	Matching Award	40,830	6,217	34,613	12,118	206

1 The table above and following wording assumes the 2011 LTIP award dividend equivalent will be settled in cash. Consistent with best practice, the LTIP enables award holders to benefit from the payment of dividend equivalents but only to the extent that the underlying share awards vest. The accounting charge for these amounts is spread over the relevant vesting period as part of the IFRS 2 "Share-based payments" charge (see note 19). As disclosed above and consistent with past practice, dividend equivalents on the 2011 awards, to the extent they vested, will be settled by way of cash payments. For information, Andrew Page has in the past received £45,832, £33,591, £154,133 and £243,425 (relating to the 2005, 2007, 2008, and 2009 awards), Stephen Critoph has received £27,626, £16,294, £63,779 and £102,375 (relating to the 2005, 2007, 2008 and 2009 awards), Trish Corzine has received £25,198, £15,090, £60,843 and £98,109 (relating to the 2005, 2007, 2008 and 2009 awards) and Alan Jackson has received £44,574 (relating to the 2005 award, which was granted to him when he was Executive Chairman).

2 The estimated value of the vested shares is based on the average share price during the three months to 29 December 2013 (561.2 pence).

Directors' remuneration report
continued

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	At 31 December 2012	Granted	Exercised	Lapsed	At 29 December 2013	Exercise price	Date from which exercisable	Expiry date
Andrew Page	2003	100,000	–	(100,000)	–	**–**	134.4p	4.4.2008	4.4.2015
	LTIP (1)	264,878	–	(227,662)	(37,216)	**–**	–	4.3.2013	4.9.2013
	LTIP (2)	97,865	–	(70,364)	(27,501)	**–**	–	4.3.2013	4.9.2013
	LTIP (3)	284,790	–	–	–	**284,790**	–	Publication of 2013 results	6 months after vesting
	LTIP (4)	94,930	–	–	–	**94,930**	–	Publication of 2013 results	6 months after vesting
	LTIP (5)	318,804	–	–	–	**318,804**	–	Publication of 2014 results	6 months after vesting
	LTIP (6)	100,504	–	–	–	**100,504**	–	Publication of 2014 results	6 months after vesting
	2012 SAYE	3,180	–	–	–	**3,180**	283.0p	1.12.2015	1.6.2016
	LTIP (7)	–	218,326	–	–	**218,326**	–	Publication of 2015 results	6 months after vesting
	LTIP (8)	–	72,775	–	–	**72,775**	–	Publication of 2015 results	6 months after vesting
Stephen Critoph	LTIP (1)	118,780	–	(102,091)	(16,689)	**–**	–	4.3.2013	4.9.2013
	LTIP (2)	43,902	–	(31,565)	(12,337)	**–**	–	4.3.2013	4.9.2013
	2010 SAYE	4,932	–	(4,932)	–	**–**	184.0p	1.6.2013	1.12.2013
	LTIP (3)	91,867	–	–	–	**91,867**	–	Publication of 2013 results	6 months after vesting
	LTIP (4)	45,933	–	–	–	**45,933**	–	Publication of 2013 results	6 months after vesting
	LTIP (5)	100,144	–	–	–	**100,144**	–	Publication of 2014 results	6 months after vesting
	LTIP (6)	48,631	–	–	–	**48,631**	–	Publication of 2014 results	6 months after vesting
	LTIP (7)	–	68,544	–	–	**68,544**	–	Publication of 2015 results	6 months after vesting
	LTIP (8)	–	34,272	–	–	**34,272**	–	Publication of 2015 results	6 months after vesting
Trish Corzine	LTIP (1)	113,902	–	(97,898)	(16,004)	**–**	–	4.3.2013	4.9.2013
	LTIP (2)	42,073	–	(30,250)	(11,823)	**–**	–	4.3.2013	4.9.2013
	LTIP (3)	81,660	–	–	–	**81,660**	–	Publication of 2013 results	6 months after vesting
	LTIP (4)	40,830	–	–	–	**40,830**	–	Publication of 2013 results	6 months after vesting
	LTIP (5)	89,157	–	–	–	**89,157**	–	Publication of 2014 results	6 months after vesting
	LTIP (6)	43,227	–	–	–	**43,227**	–	Publication of 2014 results	6 months after vesting

LTIP (1) – 2010 Conditional Award: Vesting of 50% of the award was based on relative TSR performance and 50% was based on EPS growth. Details of the Company's performance against the performance conditions are set out in last year's Directors' remuneration report. 85.95% of the Conditional Award vested based on performance to 30 December 2012.
LTIP (2) – 2010 Matching Award: Vesting was based on EPS growth to 30 December 2012. Details of the Company's performance against the performance condition are set out in last year's Directors' remuneration report. 71.9% of the Matching Award vested.
LTIP (3) – 2011 Conditional Award: Details of performance conditions are set out on page 31.
LTIP (4) – 2011 Matching Award: Details of performance conditions are set out on page 31.
LTIP (5) and (6) – 2012 Conditional Award and Matching Award: Vesting of 50% of the award is based on TSR performance of the Group against a comparator group comprising the FTSE 350 Travel and Leisure Sector (excluding airlines) over the three years from 2011 to 2014, with 30% of this part of the award vesting at median performance and full vesting of this part of the award for upper quartile performance. The remaining 50% of the award is based on EPS growth of the 2014 results compared with the 2011 results, with a requirement for average annual growth of between RPI+4% and RPI+10% p.a.
LTIP (7) and (8) – 2013 Conditional Award and Matching Award: Vesting of 50% of the award is based on TSR performance of the Group against a comparator group comprising the FTSE 350 Travel and Leisure Sector (excluding airlines) over the three years from 2012 to 2015, with 30% of this part of the award vesting at median performance and full vesting of this part of the award for upper quartile performance. The remaining 50% of the award is based on EPS growth of the 2015 results compared with the 2012 results, with a requirement for average annual growth of between RPI+4% and RPI+10% p.a.

Long-Term incentives granted during the year (audited)

On 28 February 2013, the following LTIP awards were granted to executive Directors:

Executive	Type of award	Basis of award granted	Share price at date of grant	Number of shares over which award was at granted	Face value of award (£)	% of face value that would vest at threshold performance	Vesting determined by performance over
Andrew Page	Conditional awards – nil cost option	150% of salary of £602,000*	£4.19	218,326	£902,996	30%	Three financial years to 3 January 2016
	Matching awards – nil cost option	Compulsory and voluntary bonus deferral	£4.19	72,775	£300,997	30%	
Stephen Critoph	Conditional awards – nil cost option	100% of salary of £283,500*	£4.19	68,544	£283,498	30%	
	Matching awards – nil cost option	Compulsory and voluntary bonus deferral	£4.19	34,272	£141,749	30%	

* Based on an average share price of £4.136 immediately prior to grant.

Payments for loss of office (audited)

Trish Corzine stepped down from the Board on 15 May 2013. In order to ensure an efficient handover of the management of the Concessions business, she agreed to continue to work, primarily on a part-time basis, with the current intention being that she will leave the Company on 31 May 2014. No payments were made for loss of office. She was eligible to receive a pro-rated annual bonus for the year ended 29 December 2013 in respect of the period of the financial year that she worked full time (to 31 May 2013). Outstanding LTIP awards will vest at cessation although time pro-rated where scheme vesting post-dates cessation of employment. Dividend equivalents will be payable on LTIP awards to the extent they vest.

Payments to past Directors (audited)

No payment was made to Trish Corzine for loss of office as she continues to work within the business, albeit on a part-time basis. She received £74,172 in respect of her employment with the Company from the date she stepped down from the Board (15 May 2013) to the year ended 29 December 2013. This comprised a salary of £69,777, benefits of £3,309 and pension contribution of £1,086. She also received an annual bonus of £114,906 in respect of the five month period that she worked full time in the Company. From 1 June 2013, she ceased any entitlement to future annual bonus payments. Consistent with the current executive Directors, 111,495 shares are expected to vest in March 2014 in respect of 2011 long-term incentive awards together with dividend equivalent payments with a total estimated value, based on the three month share price to the end of the year, of £664,744.

Retirement of Chief Executive Officer

On 21 January 2014, the Company announced that Andrew Page will retire as Chief Executive Officer in August 2014. Mr Page has no entitlement to any termination payment or payment in lieu of notice. However, Mr Page will continue to participate in the annual bonus scheme for 2014, with any bonus paid in cash on the normal payment date subject to performance conditions and pro-rated for the period of the financial year worked. Outstanding long-term incentive awards will vest on cessation, subject to performance and time pro-rating. Dividend equivalents will be payable on LTIP awards to the extent they vest.

Statement of Directors' shareholdings and share interests (audited)

Director	Beneficially owned at 30 December 2012	**Beneficially owned at 29 December 2013**	Outstanding LTIP awards	**Shareholding as a % of salary at 29 December 2013**	Guideline Met?
Andrew Page	681,486	**490,056**	1,093,309	**480%**	Yes
Stephen Critoph	358,197	**263,220**	389,391	**546%**	Yes
Alan Jackson	400,191	**250,191**	–	**N/A**	N/A
Tony Hughes	400,000	**400,000**	–	**N/A**	N/A
Simon Cloke	15,000	**15,000**	–	**N/A**	N/A

The Chief Executive Officer and Group Finance Director are required to hold shares in the Company worth 200% of salary and 150% of salary respectively and must retain no fewer than 50% of the shares, net of taxes, vesting under an LTIP award until the required shareholding is achieved. At 29 December 2013, both Mr Page and Mr Critoph had met the shareholding requirement.

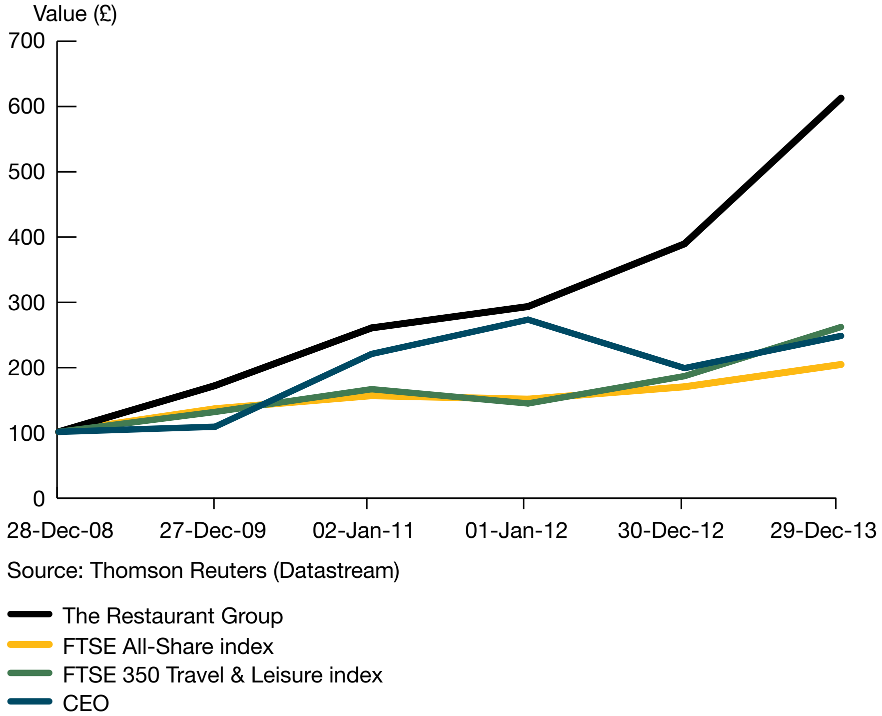
As at the date this report was approved by the Board of Directors, there have been no changes in respect of the numbers of shares presented in the table above.

Directors' remuneration report
continued

Performance graph and Chief Executive Officer pay

The graph below compares the total remuneration of the Chief Executive Officer compared to the Company's TSR performance and that of the FTSE 350 Travel and Leisure Index over the past five years, all rebased from 100. The FTSE 350 Travel & Leisure Index has been selected for this comparison because it is the index most relevant to gauging the Company's relative performance. This graph shows the value, by 29 December 2013, of £100 invested in The Restaurant Group plc on 28 December 2008 compared with the value of £100 invested in the FTSE All-Share Index and the FTSE 350 Travel and Leisure Index. On this basis the value, as at 29 December 2013, of £100 invested is as follows:

The Restaurant Group plc (dividends re-invested)	**£616**
FTSE All-Share Index	**£204**
FTSE 350 Travel & Leisure	**£262**



This graph shows: (a) the CEO's total remuneration over the last five years, rebased from 100; and (b) the value, by 29 December 2013, of £100 invested in The Restaurant group plc on 28 December 2008 compared with the value of £100 invested in the FTSE All-Share and FTSE 350 Travel and Leisure Indices. The other points plotted are the values at intervening financial year-ends.

The table below shows the total remuneration for the Chief Executive Officer for each of the last five years:

	2009	2010	2011	2012	**2013**
Salary	535	543	558	590	**602**
Benefits	27	29	27	27	**27**
Pension	108	109	112	118	**120**
Total fixed remuneration	**670**	**681**	**697**	**735**	**749**
Annual bonus	**642**	**543**	**720**	**974**	**993**
LTIP face value of vested shares at grant	509	916	1,097	623	**1,042**
LTIP increase in value between grant and vest	(186)	1,114	1,471	647	**933**
Dividend equivalent	34	154	243	91	**123**
Total LTIP	**357**	**2,184**	**2,811**	**1,361**	**2,098**
Total performance related remuneration	**999**	**2,727**	**3,531**	**2,335**	**3,091**
Total remuneration	**1,669**	**3,408**	**4,228**	**3,070**	**3,840**
Annual bonus %	100%	100%	86%	100%	**100%**
Annual LTIP Vesting %	85%	90%	100%	82%	**93%**

Percentage change in Chief Executive Officer's remuneration

The table below shows the percentage change in the Chief Executive Officer's salary, benefits and annual bonus between the financial year ending 29 December 2013 and 30 December 2012, compared to all employees of the Group.

	Salary % change	Benefits % change	Bonus % change
Chief Executive	2%	2%	2%
All employees	3%	3%	3%
Average number of employees		12,295	

Relative importance of spend on pay

The following table shows the Company's actual spend on pay (for all employees) relative to dividends.

	2013	2012	% change
Staff costs (£'m)	**184.1**	168.2	9.4%
Dividends (£'m)	**24.9**	21.7	14.7%
Retained profits (£'m)	**56.2**	48.2	16.5%

Appointments outside the Group

Executive Directors are entitled to accept appointments outside the Company or Group and there is no requirement for Directors to remit any fees to The Restaurant Group plc. Andrew Page was appointed a non-executive director of Carpetright plc on 1 July 2013 and received fees as a non-executive director of Carpetright plc of £19,500 in respect of the six months to 29 December 2013.

Consideration by the Directors of matters relating to Directors' remuneration

The Company has a Remuneration Committee ("the Committee") which is constituted in accordance with the recommendations of the Corporate Governance Code. The members of the Committee during the year were Tony Hughes (Committee Chairman) and Simon Cloke, who were independent non-executive Directors. None of the Committee has any personal financial interest in the Company (other than as shareholders).

The Committee makes recommendations to the Board. No Director plays a part in any discussion about his own remuneration. In determining the executive Directors' remuneration for the year the Committee consulted Alan Jackson (non-executive Chairman) about its proposals.

New Bridge Street ('NBS'), part of Aon plc, was appointed independent advisers and provided advice to the Committee, encompassing all elements of the remuneration packages. Neither NBS nor any other part of Aon plc provided any other services to the Group during the year. Total fees paid to NBS in respect of its services to the Remuneration Committee were £21,400.

NBS is a signatory to the Remuneration Consultants' Code of Conduct. The Committee has reviewed the operating processes in place at NBS and is satisfied that the advice that it receives is objective and independent.

Statement of shareholder voting

The Directors' remuneration report for the financial year ending 30 December 2012 was put to shareholders at the Annual General Meeting held on 15 May 2013 on an advisory basis. The voting outcomes were as follows:

Votes cast in favour	135,387,206	95%
Votes cast against	6,618,829	5%
Total votes cast	142,006,035	100%
Votes withheld	723,394	

Approval

This report was approved by the Board of Directors on 26 February 2014 and signed on its behalf by:

Tony Hughes
Chairman of the Remuneration Committee

Audit Committee report

This report sets out the work carried out by the Audit Committee of the Board with reference to the UK Corporate Governance Code ("the Code") and associated best practice guidance issued by the Financial Reporting Council ("FRC").

Audit Committee composition

The Audit Committee is appointed by the Board and comprises independent non-executive Directors of the Company. The Committee is chaired by Simon Cloke, who has significant financial experience gained as a Managing Director within HSBC Bank's Corporate Sector Group. Tony Hughes is also a member of the Committee. The Code recommends that audit committees be comprised of at least two independent non-executive directors in the case of smaller companies (defined as those outside the FTSE 350) or at least three for companies with a premium listing, such as The Restaurant Group plc. During 2013 the Audit Committee was comprised of two independent non-executive Directors.

The Board continues to review the composition of the Audit Committee to ensure that it remains proportionate to the task and provides sufficient scrutiny of risk management and internal and external controls.

The Committee regularly invites the external auditor, the Chairman of the Board, the Chief Executive Officer and the Group Finance Director to its meetings. Discussions are held in private when appropriate.

Responsibilities of the Audit Committee

The responsibilities of the Audit Committee are set out in its terms of reference and the principal matters are to:

- provide additional assurance regarding the integrity, quality and reliability of financial information used by the Board and in financial statements issued to shareholders and the public;
- review the Company's internal procedures for control and compliance with regard to 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 generally accepted accounting principles;
- receive 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 Company's policy regarding the external audit process, review the independence of the external auditor, review the provision of non-audit services provided by the external auditor and review remuneration paid to the external auditor; and
- consider any other matter that is brought to its attention by the Board or the external auditor.

The Audit Committee also reviews the arrangements whereby staff of the Company may, in confidence, raise concerns about possible improprieties in financial reporting or other matters to ensure there are proportionate and independent procedures in place for such an occurrence.

The Board as a whole reviews the risks facing the Group, and the processes on mitigating those risks, on a regular and formal basis. The Board also reviews the work carried out by the Internal Audit function.

Audit Committee frequency

The Committee meets at least twice a year. Two meetings of the Committee were held during 2013 with full attendance. The Chairman of the Audit Committee also meets with the Group Finance Director and the external auditor, as required, to discuss matters pertinent to the Audit Committee's responsibilities. The Chairman of the Audit Committee also meets, as required, with the Group Internal Audit function to review their findings.

Audit Committee process

The Committee discharges its responsibilities, as defined in its terms of reference, through Audit Committee meetings during the year, at which detailed reports are presented for review. From time to time, the Committee commission reports from external advisers or Company management, either after consideration of the Company's major risks or in response to developing issues. The Committee has the opportunity to meet privately with the external auditor at least twice a year and liaises with Company management in considering areas for review.

During the year, the Committee considered the following matters:

- interim and full year financial results. As part of this review the Committee received reports from the external auditor on their audit of the Annual Report and Accounts and their review of the Interim Results;
- the scope and cost of the external audit;
- the external auditor's interim and full year reports;
- non-audit work carried out by the external auditor in accordance with the Committee's policy to ensure the safeguard of audit independence;
- the effectiveness of the external audit process and consideration of the reappointment of the external auditor;
- the suitability of the Group's accounting policies and practices. Specific accounting policy issues which were considered include the Group's policies in relation to the impairment of tangible and intangible fixed assets and the classification of leases.
  - for further information on the judgements and estimates reviewed in relation to the impairment of goodwill and tangible fixed assets, see section b) of the critical accounting judgements and key sources of estimation and uncertainty in the accounting policies for the consolidated accounts on page 44.
  - the Committee reviewed management's assessment of the principle terms of the Group's property leases and challenged their interpretation of the primary indicators of finance leases.

The Company's public financial statements are reviewed by the Committee in advance of their consideration by the Board.

Independence of the external auditor

The Committee has adopted a policy on the use of the external auditor for non-audit work which is in compliance with the Code. The pre-approved services may be summarised as follows:

- audit related services, including work related to the annual Group financial statements audit, subsidiary audits and local statutory accounts; and
- certain specified tax services, including tax compliance, tax planning and tax advice.

Other work to be carried out by the external auditor is subject to review by the Audit Committee. To fulfil its responsibility regarding the independence of the external auditor, the Audit Committee takes into account the following:

- the external auditor's plan for the current year, noting the role of the senior statutory audit partner who signs the audit report and who, in accordance with professional rules, has not held office for more than five years;
- the arrangements for day-to-day management of the audit relationship;
- a report from the external auditor describing their arrangements to identify, report and manage any 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; and
- the past service of the auditor who was first appointed by formal tender in 2007.

To assess the effectiveness of the external audit process, the Audit Committee takes into account:

- the arrangements for ensuring the independence and objectivity of the external auditor;
- the external auditor's fulfilment of the agreed audit plan;
- the robustness and perceptiveness of the auditor in their handling of the key accounting and audit judgements; and
- the auditor's conclusions with regard to existing management and control processes.

Impact of the Competition Commission report

The Committee notes the latest guidance from the Financial Reporting Council following the report from the Competition Commission issued on 15 October 2013. Amongst other things this requires the Audit Committee to:

- assume sole responsibility for audit matters such as agreeing audit scope and audit fees, advising the Board on the reappointment of external auditors and initiating tenders;
- initiate a new advisory vote on the audit committee report;
- mandatorily tender the external audit every ten years;
- note the increased frequency of reviews by the Financial Reporting Council's Audit Quality Review team and the public disclosure of the grade awarded following the review;
- ensure compliance with the prohibition of "Big Four only" clauses in loan documentation.

The Committee has reviewed the guidance and will implement these recommendations as required for the 2014 financial year.

Overview

As a result of its work during the year, the Audit Committee has concluded that it has acted in accordance with its terms of reference. The Committee has reviewed the independence and objectivity of Deloitte LLP as external auditor and recommends the re-appointment of Deloitte LLP by shareholders at the Annual General Meeting to be held on 15 May 2014.

On behalf of the Audit Committee,

Simon Cloke
Chairman of the Audit Committee
26 February 2014

Independent auditor's report
to the members of The Restaurant Group plc

Opinion on financial statements of The Restaurant Group plc

In our opinion:

- 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 29 December 2013 and of the Group's profit for the 52 week period then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- 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 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Group income statement, the Group and Parent Company balance sheets, the Group cash flow statement, the Group statement of changes in equity, the Parent Company reconciliation of movements in shareholders' funds and the related notes 1 to 26. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union. 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 (United Kingdom Generally Accepted Accounting Practice).

Going concern

As required by the Listing Rules we have reviewed the Directors' statement on page 21 that the Group is a going concern. We confirm that:

- we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

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.

Our assessment of risks of material misstatement

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team:

Risk	How the scope of our audit responded to the risk
Impairment of tangible fixed assets Tangible fixed assets are the most quantitatively significant item on the balance sheet. The assessment of the carrying value of tangible fixed assets requires evaluating whether any indicators of impairment exist and the identification and expected future profitability of cash generating units ("CGUs").	We evaluated the appropriateness of the assumptions used to assess whether tangible fixed assets have been impaired. Our testing specifically focused on the identification of CGUs and whether any indicators of impairment were identified by management. Where indicators of impairment were identified, we challenged the process for improving the profitability of sites. We evaluated this through the use of benchmarking with comparator sites and appropriate sensitivity analysis.
Impairment of goodwill The assessment of the carrying value of goodwill involves exercising judgement on the future growth rates and profitability of the company, and the application of an appropriate discount rate.	We evaluated the appropriateness of the assumptions used within the impairment model for goodwill, as disclosed in note 9 to the financial statements. Our testing specifically focused on projections of future cash flows, including review of historical performance, and discount rates applied, and we tested the sensitivity of the model to these judgements.
Lease accounting The accounting for leases involves exercising judgement including whether leases meet the definition of an operating or a finance lease and the identification of onerous leases, their expected future cash flows (including discounting).	We conducted testing to evaluate whether the classification and accounting for new leases was appropriate through a review of the lease terms. We assessed the adequacy and completeness of onerous leases through recalculation and testing to a combination of subleases and valuations. Discount rates used were assessed for appropriateness, and the accuracy of management's historic estimates was also assessed.

The Audit Committee's consideration of these risks is set out on page 36.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the group to be £5.4 million, which is approximately 7.5% of profit before tax, and below 3% of equity.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £108,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level.

Based on this assessment our Group audit scope focused on the Group's head office in London and the accounting function in Chester, which were subject to a full audit. This represents 100% of the Group's net assets, revenue and profit before tax. This provides an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work was executed at levels of materiality applicable to each individual subsidiary entity, which were lower than Group materiality. All audit work done across all components was carried out by the Group audit team.

Opinion 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; and
- the information given in the Strategic Report and the report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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 are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

Corporate Governance Statement

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

Independent auditor's report
to the members of The Restaurant Group plc continued

Our duty to read other information in the Annual Report

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the group acquired in the course of performing our audit; or
- otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the annual report is fair, balanced and understandable and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team, strategically focused second partner reviews and independent partner reviews.

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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Mark Lee-Amies, FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
26 February 2014

Accounting policies for the consolidated accounts

Significant accounting policies

The Restaurant Group plc (the "Company") is a company incorporated and registered in Scotland. The consolidated financial statements of the Company for the year ended 29 December 2013 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in its associate.

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and its interpretations adopted by the International Accounting Standards Board ("IASB") and as adopted by the European Union.

(b) Going concern basis

The consolidated financial statements have been prepared on a going concern basis as, after making appropriate enquires, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future at the time of approving the financial statements. The principal risks and uncertainties facing the Group and further comments on going concern are set out in the report of the Directors.

(c) Basis of preparation

The accounting year runs to a Sunday within seven days of 31 December each year which will be a 52 or 53 week period.

The financial statements are presented in sterling, rounded to the nearest thousand. They have been prepared on the historical cost basis except derivative financial instruments which are held at their fair value. Non-current assets and assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with IFRS 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 judgments 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.

Future accounting policies

At the date of authorisation of these financial statements, the following new and revised Standards and Interpretations have been adopted in the current year. Their adoption has not had any significant impact on the amounts reported in these financial statements.

IFRS 7 (amended)	Disclosures – Offsetting Financial Assets and Financial Liabilities
Annual Improvements to IFRSs	(2009 – 2011) Cycle
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 19 (revised)	Employee Benefits
IAS 27 (revised)	Separate Financial Statements
IAS 28 (revised)	Investments in Associates and Joint Ventures

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 9	Financial Instruments
IAS 36 (amendments)	Recoverable Amount Disclosures for Non-Financial Assets
IAS 39 (amendments)	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

The Directors do not expect that the adoption of the Standards and Interpretations listed above will have a material impact on the financial statements of the Group in future periods, except as that IFRS 9 will impact both the measurement and disclosures of financial instruments.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

(d) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account, regardless of management's intention to exercise that option or warrant. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Accounting policies for the consolidated accounts
continued

(ii) Associates
Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount would be reduced to £nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

(iii) 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. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(e) Foreign currency
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 profit and loss accounts for overseas operations are translated at the average rate of exchange for the periods covered by the accounts. Exchange differences that relate to the net equity investment in overseas activities are taken directly to reserves.

(f) Derivative financial instruments
The Group uses derivative financial instruments, where appropriate, to hedge its exposure to interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged. The Group does not currently hold any derivative financial instruments.

The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

(g) Property, plant and equipment
Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy l).

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. The owner-occupied properties (excluding land element) acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (see accounting policy l). Lease payments are accounted for as described in accounting policy (s).

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 the 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 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
Long and short leasehold property	Term of lease or 50 years, whichever is lower
Fixtures and equipment	3-10 years
Motor vehicles	4 years
Computer equipment	3-5 years

(h) Intangible assets – Goodwill
All business combinations are accounted for by applying the acquisition method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and joint ventures. 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.

The classification and accounting treatment of business combinations that occurred prior to 1 January 2004 has not been reconsidered in preparing the Group's opening IFRS balance sheet at 1 January 2004.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is formally tested annually for impairment (see accounting policy l). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

Any excess of fair value of net assets over consideration on acquisition are recognised directly in the income statement.

(i) Trade and other receivables
Trade and other receivables are stated at their cost less impairment losses (see accounting policy l).

(j) Stock
Stock is stated at the lower of cost and net realisable value. 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 cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(l) Impairment
The carrying amounts of the Group's assets are reviewed annually to determine whether there is any indication of impairment.

For property, plant and equipment, the carrying value of each cash generating unit ("CGU") is compared to its estimated value in use. Value in use calculations are based on discounted cash flows over the remaining useful life of the CGU (between 2 and 50 years). The discount rate used is the rate believed by the Board to reflect the risks associated with each CGU. Impairment losses are recognised in the income statement.

For goodwill and assets that have an indefinite useful life, the recoverable amount is estimated annually. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement and are not subsequently reversed. All goodwill stated on the balance sheet relates to the acquisition of Blubeckers Limited and Brunning and Price Limited and is included in the impairment analysis of the Pub restaurant business conducted annually.

(m) Share-based payment transactions
The share option programme allows 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 fair value of the options granted is measured using a Stochastic model, 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.

(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. If the effect is material, 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 and, where appropriate, the risks specific to the liability.

(o) Deferred and current tax
Corporation tax payable is provided on the taxable profit at the current rate. Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date, except to the extent that the deferred tax arises from the initial recognition of goodwill. Temporary differences are differences between the carrying amount of the Group's assets and liabilities and their tax base.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse based on tax rates and laws that are enacted, or substantively enacted, by the balance sheet date. Deferred tax is measured on a non-discounted basis.

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

(q) Onerous contracts
A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Accounting policies for the consolidated accounts
continued

(r) Revenue
Revenue represents amounts received and receivable for services and goods provided (excluding value added tax and voluntary gratuities left by customers for the benefit of employees) and is recognised at the point of sale. 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 licencing fees are recorded in Cost of Sales as the goods are sold. The Group does not act as a franchisor in any trading relationship.

(s) Expenses
(i) Operating lease payments
Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Incentives to enter into an operating lease are also spread on a straight-line basis over the lease term as a reduction in rental expense.

(ii) Finance lease payments
Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(iii) Pre-opening expenses
Property rentals and related costs incurred up to the date of opening of a new restaurant are written off to the income statement in the period in which they are incurred. Promotional and training costs are written off to the income statement in the period in which they are incurred.

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

(t) Dividend policy
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.

Critical accounting judgements and key sources of estimation and uncertainty
In the process of applying the Group’s accounting policies as described above, management has made a number of judgements and estimations of which the following are the most significant:

a) Impairment of carrying value of associate
The investment in BH Restaurants Limited (formerly Living Ventures Restaurants Group Limited) and the loan note of £10.4m receivable from a subsidiary of that company were fully provided against in the years ended 30 December 2007 and 31 December 2006. Following a review of the trading performance of the company, the Directors have concluded that this treatment is appropriate and no adjustment has been made in either the current or the previous year. Further details are provided in note 11.

b) Impairment of goodwill and property, plant and equipment
The Group formally determines whether property, plant and equipment are impaired by considering indicators of impairment annually. This requires the Group to determine the lowest level of assets which generate largely independent cash flows (cash generating units or “CGU”) and to estimate the value in use of these assets or CGUs; and compare these to their carrying value. Cash generating units are deemed to be individual units or a cluster of units depending on the nature of the trading environment in which they operate.

The Group also formally prepares an impairment review on an annual basis to assess whether the goodwill arising on the acquisition of the pub business is impaired.

Calculating the value in use requires the Group to make an estimate of the future cash flows of each CGU and to choose a suitable discount rate in order to calculate the present value of those cash flows. The discount rate used in the year ended 29 December 2013 for all CGUs was based on the Group’s weighted average cost of capital of 9.9% (year ended 30 December 2012: 8.6%) as the Directors believe there are broadly equal risks associated with each CGU.

No impairment is required in the year ended 29 December 2013.

Consolidated income statement

	Note	52 weeks ended 29 December 2013 £'000	52 weeks ended 30 December 2012 £'000
Revenue	2	**579,589**	532,541
Cost of sales:			
Excluding pre-opening costs	3	**(469,729)**	(435,276)
Pre-opening costs	3	**(3,784)**	(2,217)
		(473,513)	(437,493)
Gross profit		**106,076**	95,048
Administration costs		**(31,160)**	(28,613)
Trading profit		**74,916**	66,435
Earnings before interest, tax, depreciation and amortisation		**107,791**	95,540
Depreciation		**(32,875)**	(29,105)
Operating profit		**74,916**	66,435
Interest payable	5	**(2,447)**	(2,527)
Interest receivable	5	**216**	653
Profit on ordinary activities before tax		**72,685**	64,561
Tax on profit from ordinary activities	6	**(16,495)**	(16,334)
Profit for the year		**56,190**	48,227
Earnings per share (pence)			
Basic	7	**28.02**	24.08
Diluted	7	**27.97**	24.05

Consolidated statement of changes in equity

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	**Total £'000**
Balance at 31 December 2012	**56,334**	**24,027**	**(7,737)**	**111,224**	**183,848**
Profit for the year	–	–	–	56,190	**56,190**
Issue of new shares	98	464	–	–	**562**
Dividends	–	–	–	(24,863)	**(24,863)**
Share-based payments – credit to equity	–	–	2,947	–	**2,947**
Employee benefit trust – purchase of shares	–	–	(2,291)	–	**(2,291)**
Other reserve movements	–	–	(1,859)	–	**(1,859)**
Current tax on share-based payments taken directly to equity	–	–	–	950	**950**
Deferred tax on share-based payments taken directly to equity	–	–	–	481	**481**
Balance at 29 December 2013	**56,432**	**24,491**	**(8,940)**	**143,982**	**215,965**
Balance at 2 January 2012	**56,319**	**23,982**	**(7,115)**	**84,096**	**157,282**
Profit for the year	–	–	–	48,227	**48,227**
Issue of new shares	15	45	–	–	**60**
Dividends	–	–	–	(21,682)	**(21,682)**
Share-based payments – credit to equity	–	–	2,233	–	**2,233**
Employee benefit trust – purchase of shares	–	–	(2,855)	–	**(2,855)**
Other reserve movements	–	–	–	–	**–**
Current tax on share-based payments taken directly to equity	–	–	–	1,354	**1,354**
Deferred tax on share-based payments taken directly to equity	–	–	–	(771)	**(771)**
Balance at 30 December 2012	**56,334**	**24,027**	**(7,737)**	**111,224**	**183,848**

Consolidated balance sheet

	Note	At 29 December 2013 £'000	At 30 December 2012 £'000
Non-current assets			
Intangible assets	9	**26,433**	26,433
Property, plant and equipment	10	**337,519**	293,785
		363,952	320,218
Current assets			
Stock	12	**5,085**	4,872
Trade and other receivables	13	**7,794**	6,476
Prepayments		**14,601**	15,940
Cash and cash equivalents	21	**7,307**	12,879
		34,787	40,167
Total assets		**398,739**	360,385
Current liabilities			
Corporation tax liabilities		**(9,725)**	(9,173)
Trade and other payables	14	**(103,780)**	(93,845)
Other payables – finance lease obligations	23	**(330)**	(328)
Provisions	15	**(1,120)**	(2,089)
		(114,955)	(105,435)
Net current liabilities		**(80,168)**	(65,268)
Non-current liabilities			
Long-term borrowings	21	**(49,164)**	(48,853)
Other payables – finance lease obligations	23	**(2,885)**	(2,844)
Deferred tax liabilities	16	**(12,524)**	(15,712)
Provisions	15	**(3,246)**	(3,693)
		(67,819)	(71,102)
Total liabilities		**(182,774)**	(176,537)
Net assets		**215,965**	183,848
Equity			
Share capital	17	**56,432**	56,334
Share premium		**24,491**	24,027
Other reserves	18,19	**(8,940)**	(7,737)
Retained earnings		**143,982**	111,224
Total equity		**215,965**	183,848

The financial statements of The Restaurant Group plc (company registration number SC030343) on pages 41 to 64 were approved by the Board of Directors and authorised for issue on 26 February 2014 and were signed on its behalf by:

Alan Jackson
Stephen Critoph ACA

Consolidated cash flow statement

	Note	52 weeks ended 29 December 2013 £'000	52 weeks ended 30 December 2012 £'000
Operating activities			
Cash generated from operations	20	**116,838**	102,000
Interest received		**216**	653
Interest paid		**(1,308)**	(1,551)
Tax paid		**(17,700)**	(16,141)
Net cash flows from operating activities		**98,046**	84,961
Investing activities			
Purchase of property, plant and equipment		**(76,626)**	(54,945)
Disposal of fixed assets		**(400)**	98
Net cash flows used in investing activities		**(77,026)**	(54,847)
Financing activities			
Net proceeds from issue of ordinary share capital		**562**	60
Employee benefit trust – purchase of shares	18	**(2,291)**	(2,855)
Net repayments of loan draw downs		**–**	(3,000)
Dividends paid to shareholders	8	**(24,863)**	(21,682)
Net cash flows used in financing activities		**(26,592)**	(27,477)
Net (decrease) / increase in cash and cash equivalents		**(5,572)**	2,637
Cash and cash equivalents at the beginning of the year	21	**12,879**	10,242
Cash and cash equivalents at the end of the year	21	**7,307**	12,879

Notes to the accounts
for the year ended 29 December 2013

1 Segmental analysis
The Group trades in one business segment (that of operating restaurants) and one geographical segment (being the United Kingdom). The Group's brands meet the aggregation criteria set out in paragraph 22 of IFRS 8 "Operating Segments" and as such the Group reports the business as one reportable segment.

2 Revenue

	2013 £'000	2012 £'000
Income for the year consists of the following:		
Revenue from continuing operations	**579,589**	532,541
Other income not included within revenue in the income statement:		
Rental income	**3,338**	3,211
Interest income	**216**	653
Total income for the year	**583,143**	536,405

3 Profit for the year

	2013 £'000	2012 £'000
Cost of sales consists of the following:		
Continuing business excluding pre-opening costs	**469,729**	435,276
Pre-opening costs	**3,784**	2,217
Total cost of sales for the year	**473,513**	437,493

	2013 £'000	2012 £'000
Profit for the year has been arrived at after charging / (crediting):		
Depreciation	**32,875**	29,105
Purchases	**129,703**	121,898
Staff costs (see note 4)	**184,122**	168,240
Minimum lease payments	**57,266**	54,207
Contingent rents	**8,418**	7,590
Total operating lease rentals of land and buildings	**65,684**	61,797
Rental income	**(3,338)**	(3,211)
Net rental costs	**62,346**	58,586

	2013 £'000	2012 £'000
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**92**	81
Fees payable to the Company's auditor and their associates for other services to the Group		
The audit of the Company's subsidiaries	**52**	47
Total audit fees	**144**	128
Audit-related assurance services	**25**	25
Other assurance services	**27**	23
Tax compliance services	**56**	47
Other tax advisory services	**10**	–
Other services	**21**	12
Total non-audit fees	**139**	107
Total auditor's remuneration	**283**	235

Audit fees included in the above total relating to the Company are borne by a subsidiary undertaking. All of the auditor's remuneration in 2013 and 2012 was expensed as administration costs.

Notes to the accounts
continued

4 Staff costs and numbers

	2013	2012
a) Average staff numbers during the year (including executive Directors)		
Restaurant staff	**12,025**	11,416
Administration staff	**270**	248
	12,295	11,664

	2013 £'000	2012 £'000
b) Staff costs (including Directors) comprise:		
Wages and salaries	**167,455**	154,993
Social security costs	**12,738**	10,496
Share-based payments	**2,947**	2,233
Pension costs	**982**	518
	184,122	168,240

	2013 £'000	2012 £'000
c) Directors' remuneration		
Emoluments	**2,966**	3,213
Money purchase (and other) pension contributions	**185**	199
	3,151	3,412
Charge in respect of share-based payments	**1,717**	1,173
	4,868	4,585

Further details of the Directors' emoluments and the executive pension schemes are given in the Directors' remuneration report.

5 Net finance charges

	2013 £'000	2012 £'000
Bank interest payable	**1,345**	1,489
Other interest payable	**399**	352
Facility fees	**330**	320
Interest on obligations under finance leases	**373**	366
Total borrowing costs	**2,447**	2,527
Bank interest receivable	**(11)**	(8)
Other interest receivable	**(47)**	(3)
Loan note interest receivable (see note 11)	**(158)**	(642)
Total interest receivable	**(216)**	(653)
Net finance charges	**2,231**	1,874

6 Tax

	2013 £'000	2012 £'000
a) The tax charge comprises:		
Current tax		
UK corporation tax at 23.25% (2012: 24.5%)	**19,463**	18,046
Adjustments in respect of previous years	**(261)**	80
	19,202	18,126
Deferred tax		
Origination and reversal of temporary differences	**(558)**	(464)
Adjustments in respect of previous years	**(60)**	118
Credit in respect of rate change	**(2,089)**	(1,446)
	(2,707)	(1,792)
Total tax charge for the year	**16,495**	16,334

b) Factors affecting the tax charge for the year

The tax charged for the year varies from the standard UK corporation tax rate of 23.25% (2012: 24.5%) due to the following factors:

	2013 £'000	2012 £'000
Profit on ordinary activities before tax	**72,685**	64,561
Profit on ordinary activities before tax multiplied by the standard UK corporation tax rate of 23.25% (2012: 24.5%)	**16,899**	15,817
Effects of:		
Depreciation on non-qualifying assets	**1,811**	1,658
Expenses not deductible for tax purposes	**195**	107
Credit in respect of rate change on deferred tax liability	**(2,089)**	(1,446)
Adjustment in respect of previous years	**(321)**	198
Total tax charge for the year	**16,495**	16,334

The Finance Act 2012 introduced a reduction in the main rate of corporation tax from April 2013 from 24% to 23% resulting in a blended rate of 23.25% being used to calculate the tax liability for the 52 weeks ended 29 December 2013.

Further rate reductions to 21% from April 2014 and 20% from April 2015 were substantively enacted on 2 July 2013, therefore the deferred tax provision at the balance sheet date has been calculated at 20%. This has resulted in a deferred tax credit in the income statement of £2.1m.

7 Earnings per share

	2013	2012
a) Basic earnings per share:		
Weighted average ordinary shares in issue during the year	**200,510,419**	200,261,245
Total profit for the year (£'000)	**56,190**	48,227
Basic earnings per share for the year (pence)	**28.02**	24.08

	2013	2012
b) Diluted earnings per share:		
Weighted average ordinary shares in issue during the year	**200,510,419**	200,261,245
Dilutive shares to be issued in respect of options granted under the share option schemes	**347,065**	235,567
	200,857,484	200,496,812
Diluted earnings per share (pence)	**27.97**	24.05

Diluted earnings per share information is based on adjusting the weighted average number of shares in issue in respect of notional share awards made to employees in respect of share option schemes. No adjustment is made to the reported earnings for 2013 or 2012.

Notes to the accounts
continued

8 Dividend

	2013 £'000	2012 £'000
Amounts recognised as distributions to equity holders during the year:		
Final dividend for the 52 weeks ended 30 December 2012 of 7.30p (2011: 6.50p) per share	**14,460**	12,812
Interim dividend for the 52 weeks ended 29 December 2013 of 5.25p (2012: 4.50p) per share	**10,403**	8,870
Total dividends paid in the year	**24,863**	21,682
Proposed final dividend for the 52 weeks ended 29 December 2013 of 8.75p (2012 actual proposed and paid: 7.30p) per share	**17,340**	14,460

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting to be held on 15 May 2014 and is not recognised as a liability in these financial statements. The proposed final dividend payable reflects the number of shares in issue on 29 December 2013, adjusted for the 2.5m shares owned by the employee benefit trust for which dividends have been waived. Further details are provided in note 18.

9 Intangible assets

	£'000
Cost and carrying amount	
At 2 January 2012, 30 and 31 December 2012 and 29 December 2013	**26,433**

Goodwill arising on business combinations is not amortised but is subject to an impairment review annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Therefore, goodwill arising on acquisition is monitored and an impairment test is carried out which compares the value in use of each cash generating unit ("CGU") to its carrying value. The intangible assets reported on the balance sheet represent goodwill arising on the acquisition of Blubeckers Limited and Brunning and Price Limited, which now trade as Pub restaurants.

Value in use calculations are based on cash flow forecasts derived from the most recent financial budgets and three year business plans approved by the Board. Cash flows are then extrapolated in perpetuity with an annual growth rate of 2%. Perpetuity is believed to be reasonable due to the significant proportion of freeholds in the estate and the nature of the leasehold properties. The pre-tax discount rate applied to cash flow projections is 9.9% (2012: 8.6%) which is the rate believed by the Directors to reflect the risks associated with the CGU.

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. The scenarios have been performed separately with the sensitivities summarised as follows:

- An increase in the discount rate of 1%
- A decrease of 5% on forecast cashflows

The sensitivity analysis shows that no impairment would result from either an increase in the discount rate or a decrease in forecast cashflows.

Since 1 January 1989 the cumulative amount of goodwill written off against realised reserves is £50.4m (2012: £50.4m). Records for periods prior to this date are not readily available.

10 Property, plant and equipment

	Land and buildings £'000	Fixtures, equipment and vehicles £'000	Total £'000
Cost			
At 2 January 2012	328,852	126,156	455,008
Additions	36,282	18,663	54,945
Disposals	(6,043)	(4,428)	(10,471)
At 30 December 2012	**359,091**	**140,391**	**499,482**
Accumulated depreciation and impairment			
At 2 January 2012	109,174	76,693	185,867
Provided during the year	15,565	13,540	29,105
Disposals	(4,955)	(4,320)	(9,275)
At 30 December 2012	**119,784**	**85,913**	**205,697**
Cost			
At 31 December 2012	359,091	140,391	499,482
Additions	56,693	19,933	76,626
Disposals	(6,670)	(11,941)	(18,611)
At 29 December 2013	**409,114**	**148,383**	**557,497**
Accumulated depreciation and impairment			
At 31 December 2012	119,784	85,913	205,697
Provided during the year	17,340	15,535	32,875
Disposals	(6,670)	(11,924)	(18,594)
At 29 December 2013	**130,454**	**89,524**	**219,978**
Net book value as at 30 December 2012	239,307	54,478	293,785
Net book value as at 29 December 2013	**278,660**	**58,859**	**337,519**

	2013 £'000	2012 £'000
Net book value of land and buildings:		
Freehold	**88,482**	74,943
Long leasehold	**5,446**	5,325
Short leasehold	**184,732**	159,039
	278,660	239,307

	2013 £'000	2012 £'000
Assets held under finance leases		
Costs at the beginning and the end of the year	**1,961**	1,961
Depreciation		
At the beginning of the year	**1,174**	1,149
Provided during the year	**25**	25
At the end of the year	**1,199**	1,174
Net book value at the end of the year	**762**	787

Notes to the accounts
continued

11 Investment in associate

The Restaurant Group holds a 37.4% investment in BH Restaurants Limited (formerly Living Ventures Restaurants Group Limited) and this investment is accounted for using the equity method. BH Restaurants Limited has an accounting year end date of 31 March and as there is no material benefit in making the accounting year end co-terminus with the Group, no change has been made.

As a result of a detailed review of the trading performance of BH Restaurants Limited, the investment has been recorded at £nil and a loan note of £10.4m plus outstanding interest receivable due from BHR Finance Limited (formerly LV Finance Limited), a subsidiary of BH Restaurants Limited, was fully provided against as at 29 December 2013 and 30 December 2012.

Interest is receivable from BHR Finance Limited on the loan note of £10.4m at a rate of LIBOR + 1%. In the 52 weeks ended 29 December 2013 £0.2m of interest accrued of which the Group recognised £0.2m (2012: £0.2m of which the Group recognised £0.2m). In the 52 weeks ended 30 December 2012 £0.4m of interest was received as part payment of the accrued interest, all of which was recognised in the income statement. At 29 December 2013, in addition to the loan note of £10.4m outstanding, £0.1m (30 December 2012: £0.1m) of interest receivable was still outstanding, of which, under the terms of the agreement, all was overdue.

Financial information for BH Restaurants Limited is based on the statutory accounts for the 53 weeks ended 31 March 2013 (2012: 52 weeks ended 31 March 2012) as this is the latest audited information available.

The Group's share of the post-tax result of BH Restaurants Limited for the 53 weeks ended 31 March 2013 was a profit of £0.06m (2012: profit of £0.04m). This profit has not been recognised in the income statement, in accordance with IAS 28 "Associates and Joint Ventures" as the investment has a carrying value of £nil and the Group's share of the cumulative earnings of BH Restaurants Limited remains negative.

Summarised financial information on BH Restaurants Limited is as follows:

	2013 £'000	2012 £'000
Non-current assets	**8,572**	9,412
Current assets	**3,241**	3,286
Non-current liabilities	**(15,028)**	(16,080)
Current liabilities	**(6,624)**	(6,610)
Equity	**(9,839)**	(9,992)
Revenue	**27,349**	25,612
Net profit	**153**	113

12 Stock

Stock comprises raw materials and consumables and has been valued at the lower of cost and estimated net realisable value. The replacement cost at 29 December 2013 is not considered by the Directors to be materially different from the balance sheet value. The Group recognised £129.7m of purchases as an expense in 2013 (2012: £121.9m).

13 Trade and other receivables

	2013 £'000	2012 £'000
Amounts falling due within one year:		
Trade debtors	**1,723**	2,123
Other debtors	**6,071**	4,353
	7,794	6,476

14 Trade and other payables

	2013 £'000	2012 £'000
Amounts falling due within one year:		
Trade creditors	**47,197**	39,996
Other tax and social security	**16,040**	17,256
Other creditors	**6,312**	6,042
Accruals	**34,231**	30,551
	103,780	93,845

15 Provisions

	2013 £'000	2012 £'000
Provision for onerous lease contracts and property exit costs:		
Balance at the beginning of the year	**5,782**	7,559
Additional provisions made	**474**	383
Amounts utilised	**(1,692)**	(2,219)
Provisions released	**(366)**	(293)
Adjustment for change in discount rate	**(229)**	(46)
Unwinding of discount	**397**	398
Balance at the end of the year	**4,366**	5,782
Analysed as:		
Amount due for settlement within one year	**1,120**	2,089
Amount due for settlement after one year	**3,246**	3,693
	4,366	5,782

The provision for onerous contracts is in respect of lease agreements and covers the element of expenditure over the life of those contracts which are considered onerous, expiring in 1 to 33 years. The provision for property exit costs is anticipated to be short-term and settled within one year.

16 Deferred taxation

	2013 £'000	2012 £'000
Balance at the beginning of the year	**15,712**	16,733
Depreciation in advance of capital allowances credited to the income statement	**(461)**	(416)
Other temporary differences	**(157)**	70
Credit in respect of rate change	**(2,089)**	(1,446)
Deferred tax taken directly to the income statement (see note 6)	**(2,707)**	(1,792)
Tax on share-based payments	**(691)**	691
Credit in respect of rate change	**210**	80
Deferred tax taken through equity	**(481)**	771
Balance at the end of the year	**12,524**	15,712

	2013 £'000	2012 £'000
Deferred tax consists of:		
Capital allowances in advance of depreciation	**14,869**	17,561
Capital gains rolled over	**388**	446
Other temporary differences	**(2,733)**	(2,295)
	12,524	15,712

17 Share capital

	Number	£'000
Issued, called up and fully paid:		
At 2 January 2012	200,245,088	56,319
Exercise of share options	53,044	15
At 30 and 31 December 2012	**200,298,132**	**56,334**
Exercise of share options	349,011	98
At 29 December 2013	**200,647,143**	**56,432**

Notes to the accounts
continued

18 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 29 December 2013, the Trustees, Appleby Trust (Jersey) Limited, held 2.5m shares in the Company (30 December 2012: 3.1m shares).

Net cash outflow in the 52 weeks ended 29 December 2013 was £2.3m, inclusive of costs (52 weeks ended 30 December 2012: £2.9m, inclusive of costs).

	Number	£'000
At 2 January 2012	**4,940,068**	
Purchase of shares on 29 May 2012 at an average price of £2.835 per share	1,000,000	2,855
Transfer of shares to satisfy the exercise of share awards	(2,792,115)	
At 30 and 31 December 2012	**3,147,953**	
Purchase of shares on 8 April 2013 at an average price of £4.55 per share	500,000	2,291
Transfer of shares to satisfy the exercise of share awards	(1,166,820)	
At 29 December 2013	**2,481,133**	

Details of options granted under the Group's share schemes are given in note 19.

19 Share-based payment schemes
The Group operates a number of share-based payment schemes, details of which are provided in the Directors' remuneration report. The Group has taken advantage of the exemption under IFRS 2 "Share-based payments" not to account for share options granted before 7 November 2002.

The charge recorded in the financial statements of the Group in respect of share-based payments is £2.9m (2012: £2.2m).

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 in order to satisfy the vesting of existing and future share awards under the Long-Term Incentive Plan (see note 18).

Long-Term Incentive Plan
The Group operates the 2005 Long-Term Incentive Plan ("LTIP"), details of which are provided in the Directors' remuneration report. Awards under the LTIP are granted to executive Directors and senior management in the form of nil cost options.

Conditional Award share options and Matching Award share options are granted to Directors and selected employees. In respect of the Matching Award share options, the respective Director or employee is required to acquire a number of shares by a specified date, known as "deposited shares", and retain these shares until the Matching Award share options vest, for these Matching Award share options to be valid. The table below summarises the dates of awards under the LTIP and the dates by which Directors and employees were required to acquire their deposited shares.

Date of Award	Date by which Deposited Shares must be acquired
16 March 2011	30 June 2011
1 March 2012	30 June 2012
28 February 2013	30 June 2013

Vesting of share options under the LTIP is dependent on continuing employment or in accordance with "good leaver" properties as set out in the scheme rules. In exceptional circumstances, employees may be permitted to exercise options before the normal period in which they are exercisable.

The Conditional and Matching Awards granted on 4 March 2010 became exercisable on the publication of the 2012 results. The performance criteria was based on Total Shareholder Return ("TSR") and Earnings Per Share ("EPS"). For the TSR element of the award, The Restaurant Group plc was the highest ranked company for TSR in its comparator group (for the second year running) and consequently the TSR element of the award vested in full. In respect of the EPS element of the award, the growth in EPS was between RPI +4% and RPI +10% and 72% of this part of the award vested.

For those awards granted on 16 March 2011 that vest in 2014, the performance criteria were based on TSR and EPS. For the TSR element of the award, The Restaurant Group plc was ranked in the upper quartile against its comparator group and consequently the TSR element of the award will vest in full. In respect of the EPS element of the award the growth in EPS was between RPI +4% and RPI +10% and 88% of this part of the award will vest.

The options from the LTIP scheme will be satisfied through share purchases via a trust. Further details are provided in note 18.

Year ended 29 December 2013

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
2013	Conditional – TSR element	144.0p	497,774	–	(497,774)	–	–	–
2013	Conditional – EPS element	208.9p	497,775	–	(356,526)	(141,249)	–	–
2013	Matching	208.9p	365,954	–	(260,348)	(105,606)	–	–
2014	Conditional – TSR element	209.8p	446,764	–	(14,002)	(14,889)	417,873	–
2014	Conditional – EPS element	295.5p	446,765	–	(7,658)	(21,234)	417,873	–
2014	Matching	295.5p	354,087	–	(11,082)	(20,821)	322,184	–
2015	Conditional – TSR element	124.5p	502,963	–	(7,439)	(39,338)	456,186	–
2015	Conditional – EPS element	283.5p	502,962	–	(5,521)	(41,254)	456,187	–
2015	Matching – TSR element	124.5p	180,719	–	(3,716)	(12,212)	164,791	–
2015	Matching – EPS element	283.5p	180,719	–	(2,754)	(13,172)	164,793	–
2016	Conditional – TSR element	214.9p	–	344,556	–	(14,359)	330,197	–
2016	Conditional – EPS element	418.9p	–	344,556	–	(14,359)	330,197	–
2016	Matching – TSR element	214.9p	–	143,756	–	(27,444)	116,312	–
2016	Matching – EPS element	418.9p	–	143,755	–	(27,444)	116,311	–
Total number			**3,976,482**	**976,623**	**(1,166,820)**	**(493,381)**	**3,292,904**	**–**

Year ended 30 December 2012:

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
2012	Conditional	89.9p	2,310,641	–	(2,310,641)	–	–	–
2012	Matching	89.9p	482,759	–	(481,474)	(1,285)	–	–
2013	Conditional – TSR element	144.0p	523,411	–	–	(25,637)	497,774	–
2013	Conditional – EPS element	208.9p	523,412	–	–	(25,637)	497,775	–
2013	Matching	208.9p	376,546	–	–	(10,592)	365,954	–
2014	Conditional – TSR element	209.8p	478,146	–	–	(31,382)	446,764	–
2014	Conditional – EPS element	295.5p	478,146	–	–	(31,381)	446,765	–
2014	Matching	295.5p	355,822	–	–	(1,735)	354,087	–
2015	Conditional – TSR element	124.5p	–	537,642	–	(34,679)	502,963	–
2015	Conditional – EPS element	283.5p	–	537,642	–	(34,680)	502,962	–
2015	Matching – TSR element	124.5p	–	212,794	–	(32,075)	180,719	–
2015	Matching – EPS element	283.5p	–	212,794	–	(32,075)	180,719	–
Total number			**5,528,883**	**1,500,872**	**(2,792,115)**	**(261,158)**	**3,976,482**	**–**

Notes to the accounts
continued

19 Share-based payment schemes continued

Save As You Earn Scheme

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 Stochastic share pricing model.

Year ended 29 December 2013

Period during which options are exercisable	Exercise price	Outstanding at the beginning of the year	Granted	Exercised	Lapsed	Outstanding at the end of the year	Exercisable at the end of the year
2013	184.0p	216,049	–	(206,977)	(9,072)	–	–
2015	283.0p	575,063	–	–	(90,659)	484,404	–
Total number		**791,112**	**–**	**(206,977)**	**(99,731)**	**484,404**	**–**
Weighted average exercise price		**256.0p**	**–**	**184.0p**	**274.0p**	**283.0p**	**–**

Year ended 30 December 2012

Period during which options are exercisable	Exercise price	Outstanding at the beginning of the year	Granted	Exercised	Lapsed	Outstanding at the end of the year	Exercisable at the end of the year
2011	125.0p	9,216	–	(6,144)	(3,072)	–	–
2013	184.0p	257,572	–	(545)	(40,978)	216,049	–
2015	283.0p	–	583,647	–	(8,584)	575,063	–
Total number		**266,788**	**583,647**	**(6,689)**	**(52,634)**	**791,112**	**–**
Weighted average exercise price		**182.0p**	**283.0p**	**129.8p**	**196.7p**	**256.0p**	**–**

During 2013, the weighted average market price at date of exercise was 513.8p per share (2012: 292.0p).

Executive Share Option Plans ("ESOPs")

Under the 2003 ESOP scheme, the Remuneration Committee may grant options over shares in The Restaurant Group plc to employees of the Group. The contractual life of an option is ten years. Options granted under ESOPs become exercisable on the third anniversary of the date of grant, subject to growth in earnings per share exceeding RPI growth by more than 2.5%. Exercise of options is subject to continued employment within the Group. Options were valued using a Stochastic option pricing model. No performance conditions were included in the fair value calculations.

Year ended 29 December 2013

Period during which options are exercisable	Exercise price	Outstanding at the beginning of the year	Granted	Exercised	Lapsed	Outstanding at the end of the year	Exercisable at the end of the year
2006 – 2013	67.4p	7,034	–	(7,034)	–	–	–
2007 – 2014	97.7p	36,000	–	(15,000)	–	21,000	21,000
2008 – 2015	134.4p	159,000	–	(120,000)	–	39,000	39,000
Total number		**202,034**	**–**	**(142,034)**	**–**	**60,000**	**60,000**
Weighted average exercise price		**125.5p**	**–**	**127.2p**	**–**	**121.6p**	**121.6p**

Year ended 30 December 2012

Period during which options are exercisable	Exercise price	Outstanding at the beginning of the year	Granted	Exercised	Lapsed	Outstanding at the end of the year	Exercisable at the end of the year
2006 – 2013	67.4p	7,034	–	–	–	7,034	7,034
2007 – 2014	97.7p	65,355	–	(29,355)	–	36,000	36,000
2008 – 2015	134.4p	176,000	–	(17,000)	–	159,000	159,000
Total number		**248,389**	**–**	**(46,355)**	**–**	**202,034**	**202,034**
Weighted average exercise price		**122.8p**	**–**	**111.2p**	**–**	**125.5p**	**125.5p**

During 2013, the weighted average market price at date of exercise was 459.7p per share (2012: 367.3p).

Assumptions used in valuation of share-based payments granted in the year ended 29 December 2013:

Scheme	2013 LTIP Conditional Award		2013 LTIP Matching Award	
Grant date	**TSR element 28/02/2013**	**EPS element 28/02/2013**	**TSR element 28/02/2013**	**EPS element 28/02/2013**
Share price at grant date	418.9p	418.9p	418.9p	418.9p
Exercise price	n/a	n/a	n/a	n/a
No of options originally granted	344,556	344,556	143,756	143,755
Minimum vesting period	3 years	3 years	3 years	3 years
Expected volatility[1]	22.0%	0.0%	22.0%	0.0%
Contractual life	3.5 years	3.5 years	3.5 years	3.5 years
Risk free rate	0.40%	0.00%	0.40%	0.00%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%
Expected forfeitures	10%	10%	30%	30%
Fair value per option	214.9p	418.9p	214.9p	418.9p

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 the return index (share price plus dividends re-invested) over a period prior to the grant date equal in length to the remaining period over which the performance condition applies has been calculated. For the discount for the TSR performance condition for the relevant Conditional and Matching Awards, the calculated volatility based on the movement in the return index over a period of 3 years prior to the grant has been used.

20 Reconciliation of profit before tax to cash generated from operations

	2013 £'000	2012 £'000
Profit before tax	**72,685**	64,561
Net finance charges	**2,231**	1,874
Share-based payments	**2,947**	2,233
Depreciation	**32,875**	29,105
Increase in stocks	**(213)**	(947)
Decrease in debtors	**21**	124
Increase in creditors	**6,292**	5,050
Cash generated from operations	**116,838**	102,000

Major non-cash transactions

There were no major non-cash transactions in the 52 weeks ended 29 December 2013 or 52 weeks ended 30 December 2012.

Notes to the accounts
continued

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

	2013 £'000	2012 £'000
Net debt:		
At the beginning of the year	**(35,974)**	(41,593)
Movements in the year:		
Repayments of loan draw downs	**–**	3,000
Non-cash movements in the year	**(311)**	(18)
Cash (outflow) / inflow	**(5,572)**	2,637
At the end of the year	**(41,857)**	(35,974)

Represented by:	At 2 January 2012 £'000	Cash flow movements in the year £'000	Non-cash movements in the year £'000	At 30 and 31 December 2012 £'000	Cash flow movements in the year £'000	Non-cash movements in the year £'000	At 29 December 2013 £'000
Cash and cash equivalents	10,242	2,637	–	12,879	(5,572)	–	**7,307**
Bank loans falling due after one year	(51,835)	3,000	(18)	(48,853)	–	(311)	**(49,164)**
	(41,593)	5,637	(18)	(35,974)	(5,572)	(311)	**(41,857)**

22 Financial instruments and derivatives

The Group finances its operations through equity and borrowings, with the borrowing interest subject to floating rates.

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; and
- 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 of the Group's capital risk management can be found on page 21 of the report of the Directors.

Further details on the business risk factors that are considered to affect the Group are included in the Strategic Report on page 14 and more specific financial risk management (including sensitivity to increases in interest rates) are included in the report of the Directors on page 21. Further details on market and economic risk are included in the Chief Executive Officer's review of operations. Further detail on headroom against covenants is included in the Group Finance Director's report.

(a) Financial assets and liabilities

Financial assets

The financial assets of the Group comprise:

	2013 £'000	2012 £'000
Cash and cash equivalents – Sterling	**7,307**	12,784
Cash and cash equivalents – Euro	**–**	95
	7,307	12,879
Trade and other receivables	**7,794**	6,476
Total financial assets	**15,101**	19,355

Cash and cash equivalents include £0.5m (2012: £0.5m) held on account in respect of deposits paid by tenants under the terms of their rental agreement.

Financial liabilities

The financial liabilities of the Group comprise:

	2013 £'000	2012 £'000
Trade and other payables excluding tax	**87,740**	76,589
Finance lease debt	**330**	328
Short-term financial liabilities	**88,070**	76,917
Long-term borrowings – at floating interest rates *	**49,164**	48,853
Finance lease debt	**2,885**	2,844
Long-term financial liabilities	**52,049**	51,697
Total financial liabilities	**140,119**	128,614

* Total financial liabilities attracting interest were £50.0m (2012: £50.0m). Interest is payable at floating interest rates which fluctuate and are dependent on LIBOR and base rate. The average weighted year end interest rate for these borrowings was 1.74% (2012: 1.75%).

The Group has in place a five year £140m loan facility. This facility provides the Group with medium-term security of funding, additional capacity to take advantage of business opportunities as they become available and the flexibility to optimise the Group's funding structure. Interest is payable on the amount drawn down at LIBOR plus mandatory cost and the bank's margin, which is dependent on the debt to EBITDA ratio.

The Group has a £10m overdraft facility, which is repayable on demand, on which interest is payable at the bank's overdraft rate.

At 29 December 2013 the Group has £90.0m of committed borrowing facilities in excess of gross borrowings (30 December 2012: £90.0m) and £10.0m of undrawn overdraft (30 December 2012: £10.0m of undrawn overdraft).

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:

At 29 December 2013

	Trade and other payables excluding tax £'000	Floating rate loan £'000	Finance lease debt £'000	Total £'000
Within one year	87,740	10,967	330	**99,037**
Within two to five years	–	43,584	1,318	**44,902**
After five years	–	–	11,597	**11,597**
	87,740	54,551	13,245	**155,536**
Less: Future interest payments	–	(5,387)	(10,030)	**(15,417)**
	87,740	49,164	3,215	**140,119**

At 30 December 2012

	Trade and other payables excluding tax £'000	Floating rate loan £'000	Finance lease debt £'000	Total £'000
Within one year	76,589	19,796	328	**96,713**
Within two to five years	–	34,653	1,310	**35,963**
After five years	–	–	11,651	**11,651**
	76,589	54,449	13,289	**144,327**
Less: Future interest payments	–	(5,596)	(10,117)	**(15,713)**
	76,589	48,853	3,172	**128,614**

Fair value of financial assets and liabilities

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

Notes to the accounts
continued

22 Financial instruments and derivatives continued

(b) 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 and derivative balances are with 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 retrospective discounts receivable from suppliers but the Directors believe adequate provision has been made in respect of doubtful debts and there are no material amounts past due that have not been provided against.

The Group has an outstanding long-term receivable of £10.4m plus interest due from BHR Finance Limited (formerly LV Finance Limited), a subsidiary of the Group's associate company BH Restaurants Limited (formerly Living Ventures Restaurants Group Limited). This debt is secured on the assets of BH Restaurants Limited, but is subject to a prior ranking behind BHR Finance Limited's bank. In 2007, following a detailed review of the carrying value of the business including the loan note receivable, the Board made full provision against the loan note due (further details are provided in note 11).

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 risk.

(c) 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 loan facility, which matures in October 2016 (as set out in note (a) above) ensures continuity of funding, provided the Group continues to meet its covenant requirements (as detailed in the report of the Directors on page 21).

(d) Foreign currency risk

The Group is not materially exposed to changes in foreign currency rates and does not use foreign exchange forward contracts.

Following the closure of the Group's three restaurants in Spain in 2011, any transactional or translational exposure to changes in foreign exchange rate is marginal and relates to the outstanding transactions in relation to the termination of the Spanish business.

(e) Interest rate risk

Exposure to interest rate movements has been controlled historically through the use of floating rate debt and interest rate swaps to achieve a balanced interest rate profile. The Group does not currently have any interest rate swaps in place as the reduction in the level of debt combined with current market conditions results in a low level of exposure. The Group's exposure will continue to be monitored and the use of interest rate swaps may be considered in the future.

23 Lease commitments

Future lease payments in respect of finance leases are due as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Within one year	**330**	328	**330**	328
Within two to five years	**1,318**	1,310	**1,010**	1,004
After five years	**11,597**	11,651	**1,875**	1,840
	13,245	13,289		
Less: Future interest payments	**(10,030)**	(10,117)		
Present value of lease obligations	**3,215**	3,172	**3,215**	3,172
Analysed as:				
Amount due for settlement within one year			**330**	328
Amount due for settlement after one year			**2,885**	2,844
Present value of lease obligations			**3,215**	3,172

Lease commitments are in respect of property leases where the initial term of the lease is in excess of 25 years and the conditions of the lease are in keeping with a finance lease. There are no finance leases where the Group itself is the lessor. The interest rate applied in calculating the present value of the payments is the incremental borrowing cost of the Group in relation to each lease. The fair value of the lease payments is estimated as £3.2m (2012: £3.2m).

The total future minimum rentals payable and receivable under operating leases over the remaining lives of the leases are:

Payments due:	Payable 2013 £'000	Receivable 2013 £'000	Payable 2012 £'000	Receivable 2012 £'000
Within one year	**55,923**	**2,866**	53,695	3,101
Within two to five years	**190,678**	**9,326**	183,809	9,974
After five years	**437,500**	**25,263**	398,112	25,511
	684,101	**37,455**	635,616	38,586

The Group has entered into a number of property leases on standard commercial terms, both as lessee and lessor. There are no restrictions imposed by the Group's operating lease arrangements, either in the current or prior year.

Included within the minimum rentals are amounts payable on properties where the rental payment is based on turnover. For these properties, primarily in the Group's Concession business, the amount included above is the minimum guaranteed rent as detailed in the concession agreement. Where there is no minimum guaranteed rent, the amount included is based on the estimated amount payable.

24 Capital commitments

	2013 £'000	2012 £'000
Authorised and contracted for:	**40,053**	27,015

25 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.

Notes to the accounts
continued

26 Related party transactions

BH Restaurants Limited (formerly Living Ventures Restaurants Group Limited) is a related party to The Restaurant Group plc through the Group's 37.4% holding. A loan note of £10.4m is due from BHR Finance Limited (formerly LV Finance Limited), a subsidiary of BH Restaurants Limited, which attracts interest at the rate of LIBOR +1%. During the year ended 29 December 2013, £0.2m of interest accrued of which the Group recognised £0.2m (2012: £0.2m of which the Group recognised £0.2m). In the 52 weeks ended 30 December 2012 a further £0.4m of interest was received as part payment of the accrued interest, all of which was recognised in the income statement. At 29 December 2013, in addition to the loan note of £10.4m, £0.1m (30 December 2012: £0.1m) of interest receivable was still outstanding, of which, under the terms of the agreement, all was overdue.

Alan Jackson was a non-executive director of Charles Wells Limited, an independent brewing, pub and distribution company, until January 2012 when he retired from the board. During 2005, The Restaurant Group plc entered into a lease for a site owned by Charles Wells Limited and subsequently this site was converted into a Frankie & Benny's restaurant. No premium was paid by the Group to Charles Wells Limited. The Group has entered into the lease with Charles Wells Limited, on an arm's length basis, with an annual rent of £73,850 per annum. In addition, the Group purchased products with a value totalling £0.01m from Charles Wells Limited during 2012. No balance was directly outstanding at the year end. Alan Jackson received no remuneration or compensation in respect of these transactions.

Remuneration in respect of key management personnel, defined as the Directors for this purpose, is disclosed in note 4. Further information concerning the Directors' remuneration is provided in the Directors' remuneration report.

Company financial statements – under UK GAAP
Company balance sheet

	Note	At 29 December 2013 £'000	At 30 December 2012 £'000
Fixed assets			
Investments in subsidiary undertakings	i	**137,776**	134,829
		137,776	134,829
Current assets			
Debtors			
Amounts falling due within one year from Group undertakings		**242,787**	212,070
		242,787	212,070
Creditors			
Amounts falling due within one year to Group undertakings	ii	**(214,141)**	(185,690)
Net current assets		**28,646**	26,380
Total assets less current liabilities		**166,422**	161,209
Net assets		**166,422**	161,209
Capital and reserves			
Called up share capital	v	**56,432**	56,334
Share premium account	v	**24,491**	24,027
Other reserves	v	**(7,698)**	(6,495)
Profit and loss account	v	**93,197**	87,343
Shareholders' funds		**166,422**	161,209

The financial statements of The Restaurant Group plc (company registration number SC030343) on pages 65 to 67 were approved by the Board of Directors and authorised for issue on 26 February 2014 and were signed on its behalf by:

Alan Jackson
Stephen Critoph ACA

Company financial statements – under UK GAAP Accounting policies and basis of preparation

Basis of accounting

The accounts for the Company have been prepared under UK Generally Accepted Accounting Practice, whilst the Group accounts have been prepared under International Financial Reporting Standards. The Company accounts have been prepared under the historical cost convention in accordance with applicable UK accounting standards and on a going concern basis.

Investments

Investments are valued at cost less any provision for impairment.

Dividends

In accordance with FRS 21 "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.

Share-based payment transactions

The share options have been accounted for as an expense in the company in which the employees are employed, using a valuation based on the Stochastic simulation model.

In accordance with an available election in FRS 20 "Share-based payments", awards granted before 7 November 2002 have not been subject to a charge. An increase in the investment held by the Company in the subsidiary in which the employees are employed, with a corresponding increase in equity, is recognised in the accounts of the Company. Information in respect of the Company's share-based payment schemes is provided in note 19 to the consolidated financial statements.

The value is accounted for as a capital contribution in relevant Group subsidiaries that employ the staff members to whom awards of share options have been made.

i) Investment in subsidiary undertakings

	Shares £'000	Loans and other £'000	Total £'000
Cost			
At 30 December 2012	**91,829**	**44,422**	**136,251**
Additions – share-based payment schemes	–	2,947	2,947
At 29 December 2013	**91,829**	**47,369**	**139,198**
Amounts written off			
At 30 December 2012 and 29 December 2013	**888**	**534**	**1,422**
Net book value at 30 December 2012	90,941	43,888	134,829
Net book value at 29 December 2013	**90,941**	**46,835**	**137,776**

The Company's operating subsidiaries, listed below, are held by an intermediate holding company (TRG (Holdings) Limited):

	Holding	Proportion of voting rights and shares held at 29 December 2013
The Restaurant Group (UK) Limited	Ordinary shares	100%
Chiquito Limited	Ordinary shares	100%
Blubeckers Limited	Ordinary shares	100%
Brunning and Price Limited	Ordinary shares	100%
DPP Restaurants Limited	Ordinary shares	100%

The Company's principal operating subsidiaries are registered in England and Wales, and operate restaurants in the United Kingdom.

All other subsidiary undertakings are wholly owned by the Company or one of its subsidiaries and are either non-trading or dormant.

Share-based payment transactions continued

ii) Creditors – amounts falling due within one year

In accordance with FRS 21 "Events after the balance sheet date", the proposed final dividend in respect of 2013 is not recorded as a liability in these financial statements as it was declared after the balance sheet date and is subject to approval by shareholders.

iii) Profit attributable to members of the holding Company

As permitted by section 408 of the Companies Act 2006, a separate profit and loss account has not been presented for the holding Company. During the year the Company recorded a profit of £30.7m, representing paid and accrued internal preference dividend income (2012: £30.7m representing paid and accrued internal preference dividend income). Remuneration of the auditor is borne by a subsidiary undertaking (refer to note 3 in the consolidated accounts).

iv) Employee costs and numbers

All costs of employees and Directors are borne by a subsidiary undertaking. At 29 December 2013 the Company employed three persons (30 December 2012: three persons).

v) Share capital and reserves

	Share capital £'000	Share premium £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
As at 30 December 2012	**56,334**	**24,027**	**(6,495)**	**87,343**	**161,209**
Issue of shares	98	464	–	–	**562**
Employee share-based payment schemes	–	–	2,947	–	**2,947**
Employee benefit trust – purchase of shares	–	–	(2,291)	–	**(2,291)**
Other reserve movements	–	–	(1,859)	–	**(1,859)**
Profit for the year	–	–	–	30,717	**30,717**
Dividends	–	–	–	(24,863)	**(24,863)**
As at 29 December 2013	**56,432**	**24,491**	**(7,698)**	**93,197**	**166,422**

Details of share issues during the year are given in note 19 of the consolidated accounts and details of the dividends paid and proposed during the year are given in note 8 of the consolidated accounts.

Group financial record

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Revenue	**579,589**	532,541	487,114	465,704	435,743	416,530
Adjusted operating profit	**74,916**	66,435	61,185	58,556	53,360	54,231
Underlying interest	**(2,231)**	(1,874)	(902)	(2,674)	(3,331)	(5,306)
Adjusted profit before tax	**72,685**	64,561	60,283	55,882	50,029	48,925
Non-trading (charges) / credits	**–**	–	(11,675)	596	(1,695)	(1,794)
Profit on ordinary activities before tax	**72,685**	64,561	48,608	56,478	48,334	47,131
Tax	**(16,495)**	(16,334)	(14,231)	(16,353)	(11,062)	(14,914)
Profit for the year	**56,190**	48,227	34,377	40,125	37,272	32,217
Basic earnings per share	**28.02p**	24.08p	17.19p	20.16p	18.90p	16.38p
Adjusted earnings per share	**28.02p**	24.08p	21.86p	19.95p	17.48p	16.67p
Proposed total dividend per share for the year	**14.00p**	11.80p	10.50p	9.00p	8.00p	7.70p
Dividend cover (excluding non-trading items)	**2.00**	2.04	2.08	2.22	2.19	2.16
Employment of finance						
Property, plant and equipment	**337,519**	293,785	269,141	259,583	254,841	250,722
Other non-current assets	**26,433**	26,433	26,433	26,433	26,241	26,241
Net current liabilities	**(80,168)**	(65,268)	(62,641)	(66,518)	(68,124)	(66,092)
Long-term liabilities	**(67,819)**	(71,102)	(75,651)	(74,785)	(97,026)	(117,265)
	215,965	183,848	157,282	144,713	115,932	93,606
Financed by:						
Equity shareholders' funds	**215,965**	183,848	157,282	144,713	115,932	93,606
Net debt	**(41,857)**	(35,974)	(41,593)	(46,924)	(66,684)	(78,884)
Gearing	**19.4%**	19.6%	26.4%	32.4%	57.5%	84.3%

Shareholder information

Directors
Alan Jackson
Non-executive Chairman

Andrew Page
Chief Executive Officer

Stephen Critoph
Group Finance Director

Trish Corzine
Executive Director, Concessions (until 15 May 2013)

Tony Hughes
Non-executive

Simon Cloke
Non-executive

Sally Cowdry
Non-executive (appointed 1 March 2014)

Company Secretary
Until 5 April 2013: Robert Morgan
From 5 April 2013: Stephen Critoph

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
Deloitte LLP
2 New Street Square
London EC4A 3BZ

Solicitors
Slaughter and May
One Bunhill Row
London EC1Y 8YY

Brokers
JPMorganCazenove
25 Bank Street
London E14 5JP

Panmure Gordon & Co
One New Change
London EC4M 9AF

Financial calendar
Annual General Meeting
15 May 2014

Proposed final dividend – 2013
Announcement – 26 February 2014
Ex-dividend – 18 June 2014
Record date – 20 June 2014
Payment date – 9 July 2014

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The Restaurant Group plc
5-7 Marshalsea Road
London SE1 1EP
Tel: 020 3117 5001
www.trgplc.com